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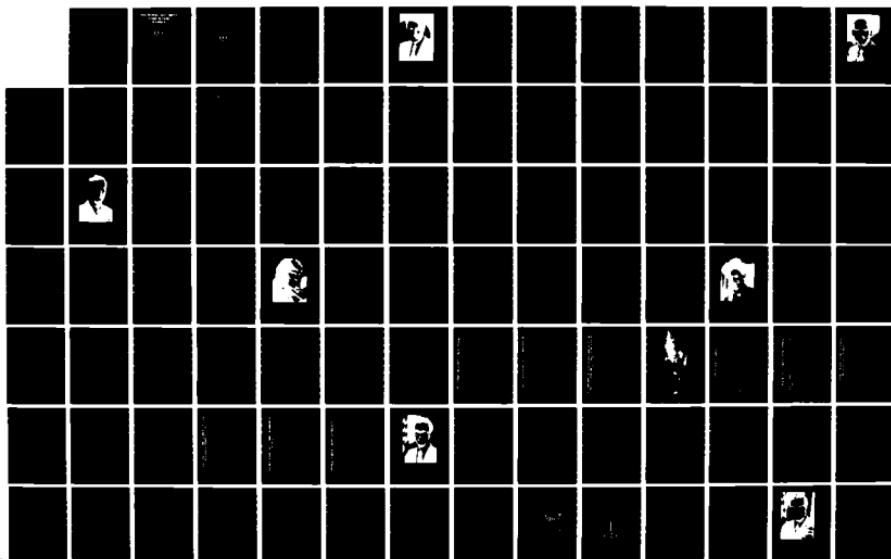
NATIONAL SECURITY FORUM FOR WOMEN THE DEFENSE BUDGET
AND NATIONAL SECURITY (U) NATIONAL DEFENSE UNIV
WASHINGTON DC 1984

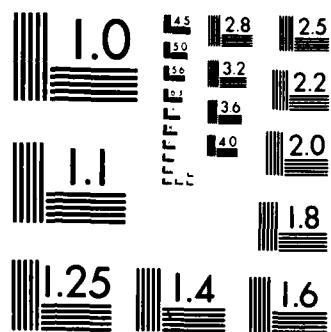
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NATIONAL SECURITY FORUM FOR WOMEN



The Office of the Secretary of Defense

June 18-19, 1984

COMPENDIUM

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DEPARTMENT OF DEFENSE

*National
Security Forum
for Women*



OFFICE OF
THE SECRETARY OF DEFENSE

June 18-19, 1984

THEME: The Defense Budget and National Security

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Monday, June 18

8:00 AM REGISTRATION

8:45 AM Welcome

Lieutenant General Richard D. Lawrence, USA
President, National Defense University

8:50 AM Introductory Remarks

Lawrence J. Korb
Assistant Secretary of Defense (Manpower, Installations and
Logistics)

9:00 AM Keynote Address

The Honorable Caspar W. Weinberger, Secretary of Defense

9:30 AM Overview of the Defense Budget

Lawrence J. Korb

10:30 AM BREAK

10:45 AM Burden Sharing—Defense Spending of Allied Nations

Brigadier General Anthony A. Smith, USA
Principal Director, European and NATO Policy, OASD

12:00 PM LUNCHEON - Fort McNair Officers' Club

Congressional Responsibility for the Defense Budget
Senator John W. Warner

2:00 PM Rebuilding Military Strength

Kathleen Troia
Principal Deputy Assistant Secretary of Defense
(Public Affairs)

3:00 PM Economic Effects of Defense Spending

David S.C. Chu
Director, Program Analysis and Evaluation
Office of the Secretary of Defense

4:00 PM BREAK

4:15 PM Improving Defense Management

Lieutenant General Robert E. Kelley, USAF
Vice Commander, Tactical Air Command

5:30 PM RECEPTION

Fort McNair Officers' Club

Tuesday, June 19

8:30 AM Managing Military Bases Efficiently

Karen R. Keesling
Principal Deputy Assistant Secretary of the Air Force
(Manpower, Reserve Affairs and Installations)

9:30 AM Manpower Issues

Brigadier General Mary Marsh, USAF
Director for Manpower and Personnel
Organization of the Joint Chiefs of Staff

10:30 AM BREAK

10:45 AM Defense Contractor Viewpoint

Oliver Boileau
President, General Dynamics Corporation

12:00 PM LUNCHEON - Fort McNair Officers' Club

Trends in Spending for Social Services
Dorcas Hardy
Assistant Secretary, Department of Health and Human Services

2:15 PM Procurement of Weapons and Spare Parts

Mary Ann Gilleece
Deputy Under Secretary of Defense (Acquisition Management)

3:15 PM General Discussion and Closing Remarks

Lawrence J. Korb

4:30 PM RECEPTION

Outdoor Pavilion
Fort McNair Officers' Club

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(Manpower Installations and Logistics)

Donna M. Alvarado, Deputy Assistant Secretary of
Defense (Equal Opportunity and Safety Policy)

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**THE HONORABLE CASPAR W. WEINBERGER
SECRETARY OF DEFENSE**

KEYNOTE ADDRESS
BY
CASPAR W. WEINBERGER
SECRETARY OF DEFENSE

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 18, 1984

It is a great pleasure to meet with this group of enthusiastic participants attending this National Security Institute for Women. When I heard you were getting two full days of budget briefings, I was afraid you would all decide to stay home.

Benjamin Franklin once claimed that "In this world nothing is certain but death and taxes" -- but that was back before someone invented the fiscal year. For those of us who must live with this curse of the modern age, nothing is certain but death, taxes and the budget cycle.

I heard the story that other day about a university president who was trying to get the various departmental budgets in order. He called in the chairman of the physics department and complained, "Why is it that you're always demanding more money for your laboratories. Why can't you be like the mathematics department -- they only ask for pencils and erasers."

He reflected for a moment, and added, "In fact the philosophy department is still better. They don't ask for erasers."

Now, I suspect some of you may think that the Department of Defense combines the worst qualities of the physics and the philosophy departments. We ask for huge sums of money to buy all kinds of fancy equipment -- and, it seems, we never ask for erasers.

By the time this conference is over, I hope you will be convinced that we have worn many erasers to the nub as we worked to eliminate unnecessary programs, to institute management reforms, and to absorb Congressional cutbacks. By tomorrow you will have heard all about the planning, programming, and budgeting systems; the overhaul of spare parts procurement; and the impact of defense spending on industrial capacity and GNP.

But be of good cheer. I am not going to talk about any of these things. Instead I am going to talk about the questions we must answer before we set a single number to a single program. These questions are: (1) What are our Nation's vital interests? (2) What are the threats to those interests? and (3) What is our strategy for meeting these threats?

The people of the United States have often been tempted by the notion that our interests simply stop at our shores. But in fact our Nation has twice in this century been forced to reject isolationism, not just because it was wrong, but because the term had lost its meaning. Isolationism assumes we can be isolated. But, as Winston Churchill reminded the American people in 1946, now "war can find any nation, wherever it may dwell between dusk and dawn."

The United States is an island nation, and we must have open sealanes of communication throughout the world. Our economy is dependent on free access to vital resources and markets, many of them far from our shores. The United States is also a free nation, and we should stop to wonder how long that freedom would survive if, everywhere else, the Soviets were proved right in their claim that history inexorably favors tyranny over democracy.

But the illusion that we can somehow draw a line and step behind it persists. In recent weeks, for example, I repeatedly have heard the argument that the United States should not concern itself with the attacks on shipping in the Persian Gulf, because so little of our own oil comes from that region. Even setting aside our Allies' dependence on this oil -- and our dependence on our Allies to share the burdens of deterrence -- this argument rests on another peculiar theory about the international economy, according to this theory, even if the Persian Gulf oil wells were shut down, this would have no effect on the price of oil in Venezuela or Mexico. And even if the European economies were shut down, this would have no effect on our own economy. Surely the oil crisis of 1974, and the worldwide recession that followed it, taught us a better economics lesson than that.

I am even more puzzled when I hear that we have no significant strategic stake in Central America. Seventy-five percent of our nation's oil and other petroleum products pass through the Caribbean and the Gulf of Mexico, along with a large bulk of our other imports -- and exports. In the event of war more than half our resupply and many of our reinforcements to our forces in Europe would travel along these same sealanes -- which could well be NATO's Achilles heel. We should remember -- as I'm

sure the Soviet leaders remember -- that during the first six months after America's entry into World War II, German U-boats sank 114 Allied ships in the Caribbean -- more tonnage than the entire German fleet sank in the North Atlantic. And the Germans did not even have a base in the region.

The Soviets are not similarly handicapped. Their surrogate, Cuba, is like a permanent, unsinkable aircraft carrier dominating the entire Caribbean and the Gulf. Likewise, in Southwest Asia the Soviets can call upon the twenty-nine divisions of their Southern Theater forces, as well as some 120,000 troops in Afghanistan, all within striking distance of the Persian Gulf.

Overall, when we look at the Soviet Union we see that for over twenty years it has steadily accumulated enormous military might. This buildup did not slow when the United States chose to restrain its own military spending, to the point where it actually declined 20 percent during the decade of the 1970s. As a result, by the beginning of this decade the Soviet's military power, and their demonstrated willingness to use this power, were threatening to upset the balance of power that had kept the peace between the superpowers for almost four decades.

Nowhere was this shift more dramatic than in the strategic nuclear balance. At the beginning of the 1970s the United States made a conscious choice: we would restrict improvements to the yield and accuracy of our nuclear missile forces so as not to threaten the Soviet Union with the prospect of a sudden, disarming first strike. Our purpose was to encourage similar restraint by the Soviet Union.

The trouble is, the Soviets disregarded our peaceful signals. Instead of joining us in restraint, they stepped up their own strategic modernization program. They developed a new generation of ICBMs specifically designed to destroy U.S. missile silos. They continued to build far more intercontinental ballistic missiles than they could possibly need to assure effective retaliation against attack. They hardened their missile silos, acquired the capability to reload some of their larger ICBMs, and enhanced their strategic defenses. All these developments, together with Soviet writings and exercises, suggested that the Soviets thought they could fight -- and win -- a nuclear war.

Let me say that I find it incredible to think that the Soviet leadership would ever seek direct conflict with the United States. The results would be catastrophic beyond our belief or even comprehension. We, at least, have no illusions that there could be any winners in such a war.

But as Secretary of Defense I cannot propose a defense program based on the assumption that things too terrible to imagine are too terrible to occur. The Soviet Union is a closed society, and we know little or what its leaders truly think. It is simply not prudent just to second guess what the Soviet leaders might do -- how many of us would have believed they would shoot down a civilian airliner and send 269 innocent people to their deaths. It is our responsibility not to guess, but rather to look squarely at what they have the capabilities to do.

And when we take that look, we discover that the Soviets have not merely engaged in a massive military buildup. They have also developed what can only be interpreted as an offensive military force -- and a military force that today circles the globe.

I have already mentioned the dangerous trends in Soviet nuclear weapons development; we see the same trends in conventional forces. Soviet and Warsaw Pact forces, once slow and cumbersome, have now been modernized, trained, and deployed for Blitzkrieg movements well beyond their borders. Soviet air forces have been reorganized for form self-contained "strike packages" designed for long-range attacks against targets in Europe and the Far East. Soviet and Soviet surrogate forces are already using chemical and toxin weapons in Afghanistan and Southeast Asia, in violation of their treaty pledges, and the Soviets continue to test new chemical and toxin agents.

We have also seen a tremendous expansion in the Soviet's capability to project military power around the world. For example, over the past two decades they have doubled their total airlift capability -- a capability which they put to use during the 1973 Middle East war and, more recently, in Ethiopia, Angola, and Afghanistan. The Soviet navy has expanded dramatically, and so has its access to bases around the world. And of course any doubts we might have about their willingness to apply that military force directly were silenced by the 1979 invasion of Afghanistan.

We cannot know for certain why the Soviet Union emphasizes offensive planning, or why it has undertaken such an ambitious expansion and modernization of its forces. But whatever the reasons, the Soviets clearly believe that their colossal military effort is worthwhile, notwithstanding the price it imposes on the Soviet society and its troubled economy. We would ignore that effort at our peril.

What then is our strategy for countering these threats and protecting our vital interests? It is a strategy based on three enduring principles.

First, our strategy is defensive. The United States does not start fights. We therefore concede to potential adversaries the advantage of surprise, and the opportunity to pick the time and place of conflict. In the age of fast-moving modern warfare this means our forces must be maintained in a very high state of readiness. Our command, control, communications and intelligence capabilities -- or, in plain English, our ability to maintain communication between political leaders and commanders at the front -- must be flexible and survivable. We must be able to mobilize rapidly.

Second, our strategy is to deter war. For this we need strong and survivable nuclear and conventional forces, forces which will convince any potential adversary that the certain consequence of attack would be far too costly to justify the risk.

Finally, should deterrence fail, our strategy is to restore peace on favorable terms, at the lowest possible level of conflict. Given the size and increasing sophistication of Soviet military forces, this means our own forces must be qualitatively superior; it also means that we must have enough staying power to ensure that no adversaries ever calculate they can outlast us.

Meeting these requirements of our strategy is not easy or inexpensive. But neither is it beyond our means. In recognizing our areas of weakness, we should not forget the enormous economic, political, and moral strength of free societies.

We have never sought to match the Soviet Union or the Warsaw Pact unit for unit, system for system, soldier for soldier. Our alliances are more robust than theirs, since our Allies join us willingly, while the Soviet Union guarantees loyalty by menacing its "friends." Our troops are more highly motivated than theirs, since our forces are defending freedoms that the Soviet Union and its allies deny to their own citizens. Free enterprise and the innovation it spawns give our military forces a technological edge. And finally, with a flexible strategy, we can effectively deter aggression in many areas without having to maintain significant levels of forces in all of them simultaneously.

But we cannot depend on the strength of our friends and Allies if we are not willing to maintain our own defense effort, or our commitment to joint ventures and security assistance. We cannot rely on the superior quality of our men and women in uniform if we are not willing to give them the compensation they deserve, or the tools they need to do

their jobs. We cannot assume that we will keep a technological edge unless we continue developing and modernizing our equipment and halt the hemorrhage of technology to the Soviet Union. We cannot retain the benefits of flexibility without training and equipping our forces to respond to different contingencies. Above all, we cannot escape the responsibility of retaining forces of sufficient quantity and quality to make our deterrent credible at all levels of conflict.

Will Rogers once said, "Thank God we don't get all the government we pay for." In one sense, at least, this is true of the defense budget. We spend billions of dollars on weapons that we hope will end their days on the scrap heap never used. We train men and women to fight wars we hope will never come. But history has shown us time and again that we prevent war only by being prepared to wage it. And we cannot settle for less.



LAWRENCE J. KORB
ASSISTANT SECRETARY OF DEFENSE
(MANPOWER, INSTALLATIONS AND LOGISTICS)

SIGNIFICANT ACCOMPLISHMENTS BY THE REAGAN ADMINISTRATION— MODERNIZATION

- INCREASED PRODUCTION RATES TO BE MORE EFFICIENT.
- BOUGHT NEW TANKS AND ARMORED FIGHTING VEHICLES FOR THE ARMY.
- BOUGHT NEW FIGHTER AND ATTACK AIRCRAFT AND STARTED BUILDING TWO NEW AIRCRAFT CARRIERS FOR THE NAVY.
- BOUGHT NEW FIGHTER AIRCRAFT FOR THE AIR FORCE.
- STRENGTHENED ALL THREE LEGS OF THE STRATEGIC TRIAD:
 - MX/PEACEKEEPER
 - TRIDENT SUBMARINES
 - NEW STRATEGIC BOMBER

Slide 12

- Many of our forces had old equipment that had been extended beyond its planned service life. Other forces had old equipment that was technologically outdated and soon to reach the end of its service life. For example, the B-52 bomber was last built in 1962 and many required modification to carry cruise missiles. The missile submarines, built between 1962 and 1966, needed improved capability to destroy hardened Soviet targets.

- Also, since the early 1970s, the Soviets have outspent the U.S. for military investment (procurement, military construction, RDT&E).

- Because we had deferred U.S. modernization for a decade, while the Soviets continued their buildup, we had the difficult task of modernizing all elements of our forces.

- We started a long-term program to modernize our forces. We increased production rates to be more efficient and thus less expensive.
- The Army is buying M-1 tanks, M-2/3 Bradley armored fighting vehicles, and AH-64 and UH-60 helicopters.
- The Navy is buying fighter (F-14 and F-18) and attack (A-18) aircraft and has started building two new aircraft carriers.
- The Air Force is buying fighter (F-15 and F-16) aircraft.

- We immediately added funding for readiness -- \$3B in FY 81 and \$9B in FY 82.
- Much of the increase is for support of new weapons systems whose spare parts cost more than the spares for existing system.

- o The potential to fly wartime missions by our tactical Air Forces has improved by more than 50%, as a result of the additional funds we allocated for repair parts purchases in FY 81 - FY 83.
- o Navy ships in FY 83 reported 10% fewer problems from lack of spare parts than was the case in FY 82.
- o Navy aircraft ready to fly and perform their missions increased by 12% since 1980.

SIGNIFICANT ACCOMPLISHMENTS BY THE REAGAN ADMINISTRATION— SUSTAINABILITY

- INCREASED FUNDING FOR AMMUNITION:
 - STOCKPILE INCREASED BY 33%
- INCREASED AIRLIFT AND SEALIFT CAPACITY.

Slide 11

- The Reagan administration also added funding for sustainability -- \$3B in FY 82, a 30% increase over the previous administrations budget for FY 82.
- After the arrival of the purchases funded in the 1984 budget, we will have increased munitions sustainability by 33% over the level inherited from the previous administration.
- We increased airlift and sealift capability.
 - o We bought new C-5s and KC-10s and expanded the Ready Reserve Force of ships. Compared with the capability in 1981, the new C-5s will increase inter-theater airlift by 75% by 1990.

- Retention is up.
 - o Retention rose from 55 percent in 1980 to 68% in 1983, with the Air Force and Navy having their best year for reenlistments in 1983. Army's best year was 1982 and, although somewhat lower, 1983 was also good.
 - o We expect the Army to eliminate its shortages in the top five enlisted grades by the end of this fiscal year.
 - o The Navy reduced its shortage of petty officers from 22,000 in 1981 to 9,300 at the end of 1983.
- Total military manpower grew from 1980 to 1984.
 - o The active force increased 99,700 people or 4.9%.
 - o The reserve forces increased 190,600 people or 22.1%. Today there are over one million people in the Selected Reserve; more than we have ever had.
- We made significant improvements in training. Between Dec 1980 and Sept 1983, we cut in half the number of active units rated "not combat ready" because of inadequate training.
- Our success in recruiting and retention results largely from significant increases in military compensation since 1980.
 - o We've had two large pay increases -- 11.7% in FY 1981 and an average of 14.3% in FY 1982.
 - o Today we have military compensation that is fair to military members and lets us compete with the civilian sector for manpower.
 - o However, our gains in this area are beginning to erode. The House proposed no increase for personnel in the lowest enlisted grade and only a 3.5% raise for all other personnel. The Senate is considering a 4.0% increase. We asked for a 5.5% increase for all military personnel.
- By 1980, the underfunding of logistics support had resulted in spare parts shortages and maintenance backlogs. We also had serious shortages in war reserve inventories of spare parts.

No Slide

- I'd now like to summarize what our increased expenditures in defense have bought us in terms of manpower, readiness and sustainability, and modernization.

SIGNIFICANT ACCOMPLISHMENTS BY THE REAGAN ADMINISTRATION— READINESS

- REACHED RECRUITING GOALS.
- INCREASED RETENTION.
- IMPROVED TRAINING.
- INCREASED FUNDING FOR SPARE PARTS:
 - AIR FORCE CAN PRODUCE 50% MORE SORTIES OF TACTICAL AIRCRAFT THAN IN 1980.
 - NAVY HAS INCREASED READY AIRCRAFT BY 12% SINCE 1980.

Slide 10

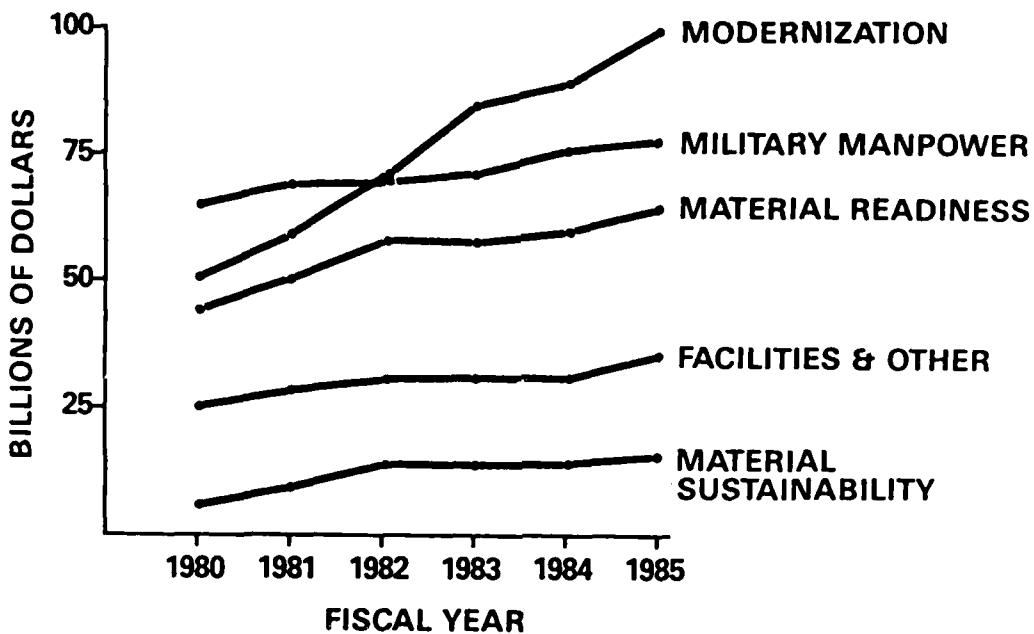
- By 1980, the underfunding in manpower was seriously degrading the AVF. The Services could not reach their recruiting goals. The Army had chronic shortages in the senior enlisted grades and the Navy had a large petty officer shortfall.

- By 1984, we had significantly improved military compensation and could readily see the improvements for military personnel.

- Now all services are meeting their recruiting goals. The test scores and educational levels of our new recruits are higher than those of the overall civilian youth population.

- o In 1983 91% of our new recruits for the active forces have earned a high school diploma as compared with 75% of all young people of military age.
- o In 1980, only 68% of our new recruits had earned a high school diploma.

TRENDS IN FUNDING FOR MODERNIZATION, MANPOWER, FACILITIES, READINESS AND SUSTAINABILITY: BUDGET AUTHORITY — CONSTANT FY85 DOLLARS



Slide 9

- This slide shows a different slice of the defense budget. Instead of focusing on an accounting slice, it shows the money we appropriate by the type of output it buys. For example, modernization is all the new equipment we're buying plus R&D. The outputs considered here are modernization, military manpower, readiness, facilities, and sustainability.

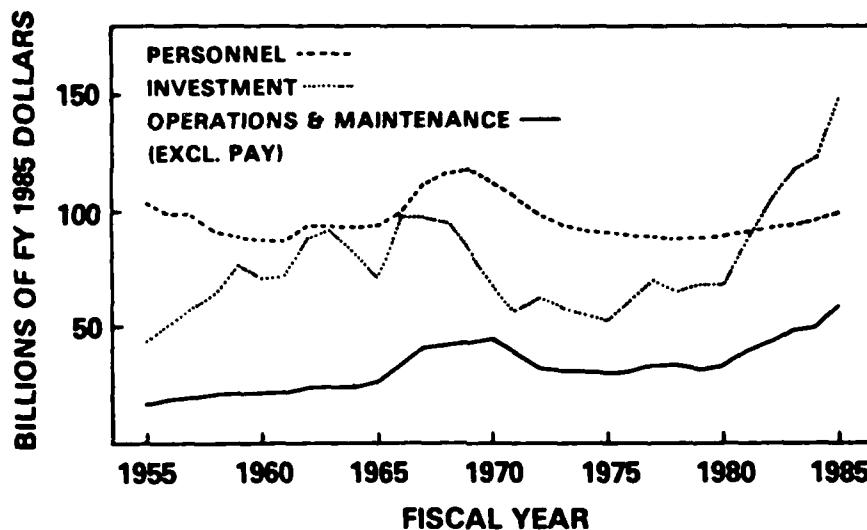
- Note that the largest increase is in modernization, our research and development programs and purchases of major weapon systems. We increased modernization about 15% per year since 1980. We're now beginning to ask if this increase has been too much and how we'll support all the new equipment. We'll be looking at those questions in the next several months.

- Funding increases for manpower reflect our goals to man more fully our understrength units and new manpower for our new ships and weapons systems.

- We've made substantial progress in readiness and although we've greatly increased spending for sustainability (in percentage terms) we still need to do much more in that area.

- The relatively slight increases in facilities costs are due to our need to improve the living and working condition of our personnel.

DoD BUDGET AUTHORITY IN CONSTANT FY 1985 DOLLARS FY 1955-1985



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Slide 8

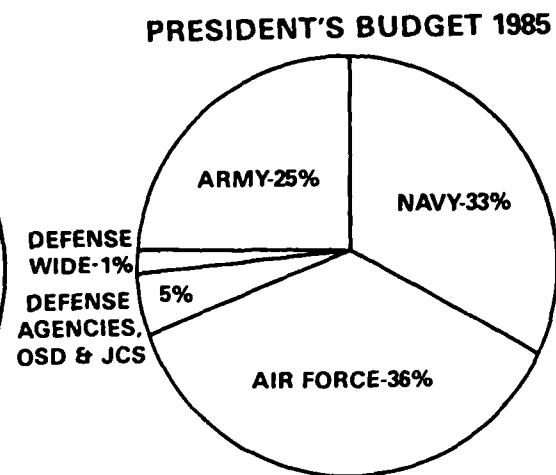
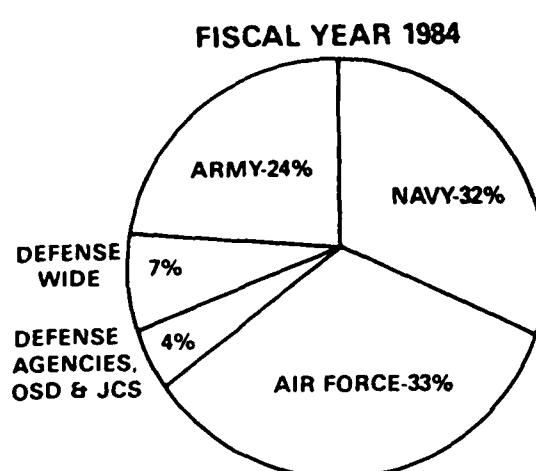
- This slide shows funding for aggregations of the major appropriation accounts of the Defense budget: personnel, investment, and operations and maintenance.

- Personnel costs, military and civilian, peaked in the late 60's, during the Vietnam conflict, dropped to a low point in the late 70's, and have recently increased only gradually.

- Investment, including procurement, construction and R&D, has increased dramatically since 1980. This reflects not only the funds for modernizing the forces but also includes funds for spare parts, munitions and other items contributing to readiness and sustainability.

- Recent increases in Operations and Maintenance have been for the supplies and services (including fuel) needed to increase flying and steaming time for better unit readiness and to improve the maintenance of our facilities and equipment.

DOD BUDGET BY SERVICE BUDGET AUTHORITY

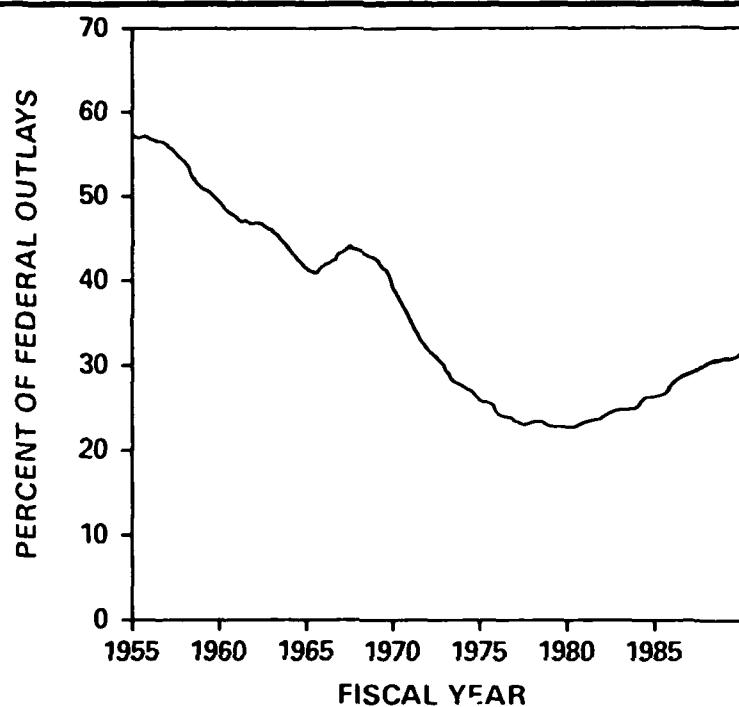


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Slide 7

- Now lets look within the defense budget.
- Here is the breakdown by Service for fiscal year 1984 and the President's budget for 1985.
- The Army takes about 1/4 of the budget.
- The Navy, which includes the Marine Corps, and the Air Force each take about 1/3 of the budget.
- Of the remaining, about 5% goes to the Defense Agencies, -- such as the Defense Logistics Agency and the Defense Intelligence Agency --, OSD, and JCS.
- A small portion is labelled defense-wide. Prior to 1984, this included mostly retired pay and some authority for contingencies. Beginning in 1985, the retired pay was allocated to the Services and defense-wide funding is mainly for contingencies.

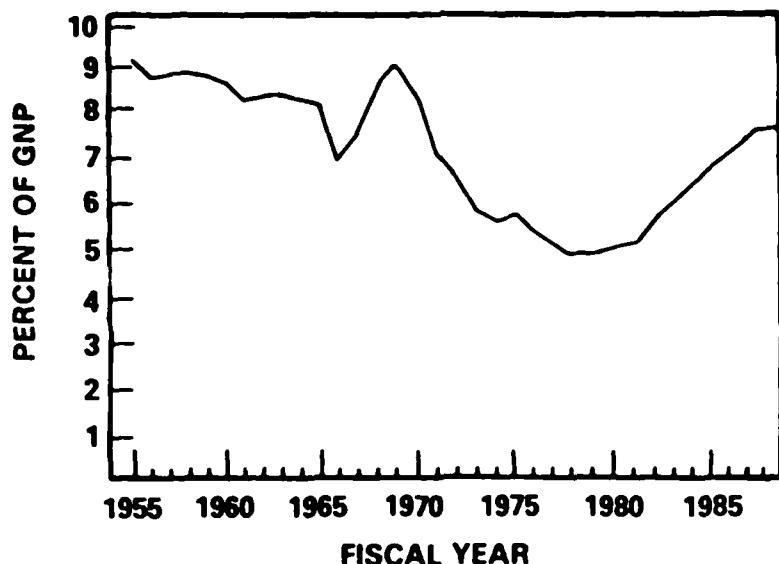
DOD OUTLAYS AS A SHARE OF TOTAL FEDERAL OUTLAYS FY1955-1989



Slide 6

- When we look at defense outlays as a percent of all federal outlays, we see an almost steady decline from 1955 to 1980 and the increase during the 1980s.
- In the 1950s, defense outlays averaged around 50% of all federal outlays. By 1989, they will be almost 30%.

DoD OUTLAYS AS A SHARE OF GNP FY 1955-1989

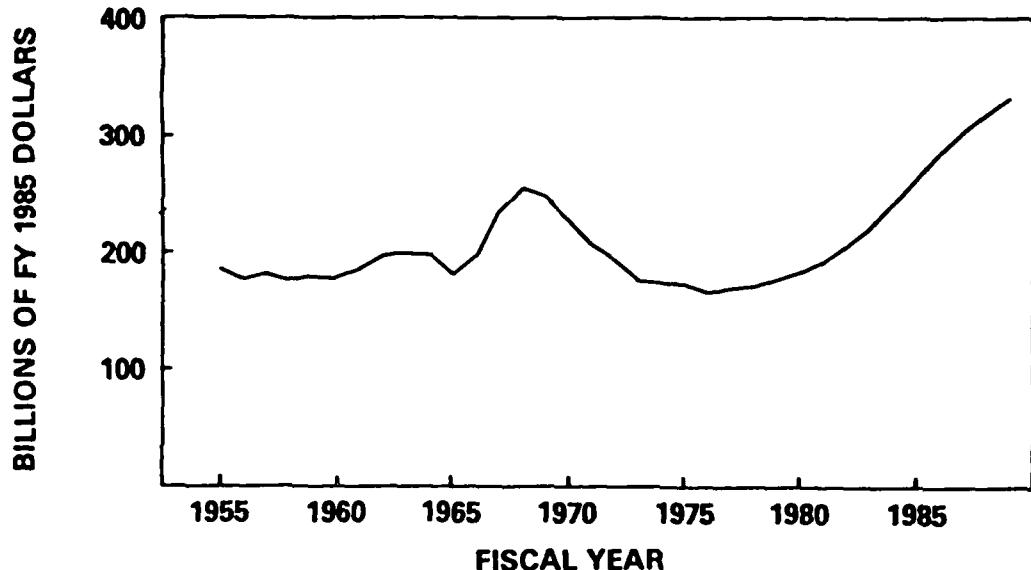


Slide 5

- Another way to get perspective on the defense budget is to compare defense spending with non-defense expenditures.
- Here DoD outlays are given as a percent of the Gross National Product -- the measure of all the goods and services produced by the U.S.
- Note that recent defense outlays are below the peacetime levels of the late 50s and early 60s.

DoD OUTLAYS
IN CONSTANT FY 1985 DOLLARS

FY 1955-1989



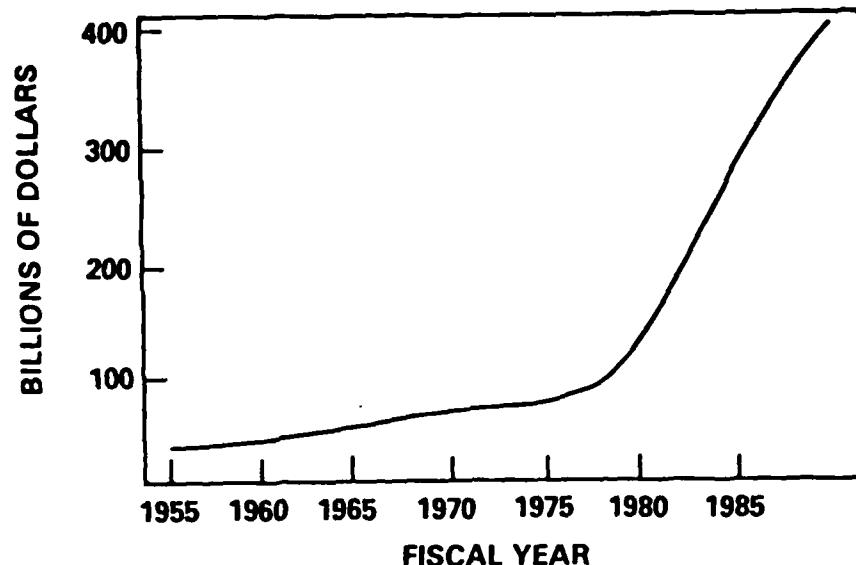
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Slide 4

- When we use constant dollars, or dollars adjusted to factor out inflation, the trend over time looks much different. We can see the spending in the late 60's for the Vietnam war and low levels of defense spending in the 1970s compared with peacetime levels in the late 50s and the early 60s.

NOMINAL DoD OUTLAYS

FY 1955-1989



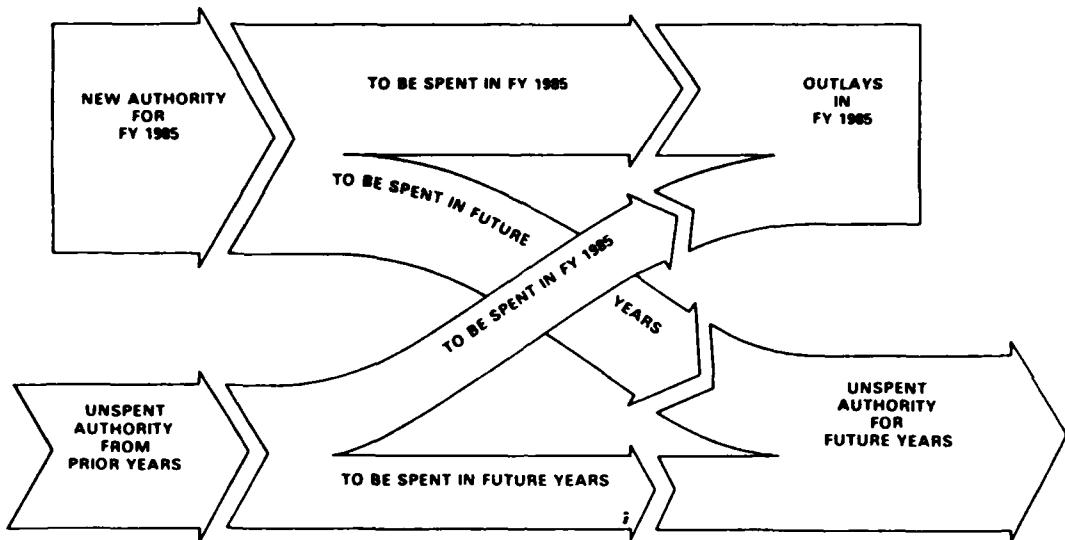
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Slide 3

- We would like to look at defense spending over time. If we look at the spending in nominal dollars, the comparison is distorted by inflation.

- A good portion of the rise in the spending since about 1978 shown in this slide is due to inflation.

RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS FY 1985 DoD BUDGET



3564-4

Slide 2

- This slide shows how budget authority for the budget year and from previous years combine to produce outlays in FY 1985. They also produce unspent authority for future years.

- For FY 85, the outlays will be \$264B and the unspent authority will be \$239B.

THE DEFENSE BUDGET FISCAL YEAR 1985

	<u>PRESIDENT'S BUDGET</u>	<u>ROSE GARDEN PLAN</u>
BUDGET AUTHORITY:		
DoD's LEGAL AUTHORITY TO AWARD CONTRACTS, PLACE ORDERS, OR TAKE RECEIPT ON GOODS AND SERVICES	\$305.0B	\$291.1B
OUTLAYS:		
ACTUAL PAYMENTS	\$264.4B	\$258.6B

4142 4

Slide 1

- For fiscal year 1985, the Administration asked for \$305B in budget authority and \$264B in outlays.
- Budget authority is DoD's legal authority to award contracts, place orders, or take receipts on goods and services.
- Outlays are actual payments.
- For example, a ship may be authorized in FY 85 but most of the actually spending for that ship will be in later years.
- After Mr. Reagan decided to cut the federal deficit, he agreed with Congress to reduce the FY 85 defense budget request to \$291B in budget authority and \$259B in outlays. His agreement often called the Rose Garden plan was contingent upon the Congress enacting his entire package of budget reductions.

OVERVIEW OF THE DEFENSE BUDGET
BY
LAWRENCE J. KORB
ASSISTANT SECRETARY OF DEFENSE
(MANPOWER, INSTALLATIONS AND LOGISTICS)

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 18, 1984

OVERVIEW OF THE DEFENSE BUDGET

Slide 0

- In President Reagan's election campaign, he promised to improve our military capability substantially. In fact, by 1980, both political parties realized that the U.S. had to make real increases in defense spending.
- Today, I will talk about the defense budget, how it relates to the total Federal budget, and where defense dollars go. Finally I'll give several examples of what the increase in defense spending is buying us.

- We are strengthening all three legs of the strategic triad.
 - o The FY 85 budget includes funds for production of MX/Peacekeeper missiles and we've found preliminary work on a small ICBM consistent with Scowcroft Commission recommendations.
 - o We have deployed 3 trident-class submarines and have 8 more under construction.
 - o We've started production of our first new strategic bomber in more than 30 years.

No Slide

- We cannot cut our defense budget.
 - o We must keep military pay competitive because the recruiting pool will shrink during the next decade.
 - o We must also increase our use of women, civilians, and reserves to keep up the capabilities of our forces.
- Readiness and Sustainability
 - o We must resist cuts in support funding. These cuts save money today and decrease readiness tomorrow when we run out of spare parts or cannot use equipment because it is queued for maintenance.
 - o We cannot forget about readiness and sustainability support because we've done a lot in this area in the last few years. There can be no one-time fix.
- Modernization
 - o We must continue to improve our conventional forces to meet the threat posed by quantitatively superior and increasingly sophisticated Soviet armed forces.
 - o We must keep modernizing our strategic forces to ensure our ability to deter nuclear war.



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BURDEN SHARING-DEFENSE SPENDING OF ALLIED NATIONS

BY

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JUNE 18, 1984

WE CAN ALL AGREE THAT DEFENSE IS EXPENSIVE. WE CAN AGREE THAT WE DO NOT WANT TO SPEND MORE ON DEFENSE THAN IS NECESSARY. WE CAN ALSO AGREE THAT THE BURDEN OF DEFENSE SHOULD BE SHARED EQUITABLY AMONG THE POPULATION WITHIN A NATION AS WELL AS EQUITABLY AMONG THE NATIONS.

THE CONCEPT OF BURDENSHARING IS THE FAIR DISTRIBUTION OF POLITICAL, MANPOWER, MATERIAL AND ECONOMIC COSTS OF MAINTAINING OUR ALLIANCE POSTURE.

BURDENSHARING IS BOTH A POLITICAL AND ECONOMIC QUESTION, MORE COMPLEX AND MORE DIFFICULT TO ANSWER THAN THE QUESTION OF HOW MUCH IS ENOUGH. IT IS IMPOSSIBLE TO ARRIVE AT A HARD AND FAST DETERMINATION OF EQUITABLE FAIR-SHARES THAT IS AGREEABLE TO ALL. IT IS AN UNDERSTATEMENT TO NOTE THAT BURDENSHARING IS SUBJECT TO WIDELY DIFFERING INTERPRETATIONS.

THE VERY FOUNDATION OF THE ATLANTIC ALLIANCE IS THE CONCEPT THAT MEMBER NATIONS HAVE COMMON POLITICAL AND DEFENSE AIMS WHICH ARE MORE READILY ACHIEVABLE THROUGH COOPERATIVE ACTION. FROM THE EARLIEST DAYS OF THE NATO ALLIANCE THERE HAVE BEEN ATTEMPTS TO FIND MEANS TO DISTRIBUTE THE BURDEN OF THE ALLIANCE ACTIVITIES EQUITABLY. A REPORT IN 1951, BY WHAT WAS THEN CALLED THE FINANCIAL AND ECONOMIC BOARD OF NATO, TOOK THE FOLLOWING POSITION:

COUNTRIES WHOSE GENERAL ECONOMIC STRENGTH IS GREATEST MIGHT, OTHER THINGS BEING EQUAL, BE EXPECTED IN EQUITY TO ASSUME

PROPORTION OF THEIR NATIONAL PRODUCT TO DEFENSE). THIS IS ANALOGOUS TO THE PRINCIPLE OF PROGRESSIVE TAXATION WHICH MOST COUNTRIES HAVE FOR MANY YEARS FOLLOWED IN SHARING INTERNALLY THE BURDEN OF GOVERNMENT AND COMMON SERVICES; THE PRINCIPLE THAT THOSE WITH HIGHER INCOMES SHOULD CONTRIBUTE NOT ONLY A GREATER AMOUNT ABSOLUTELY BUT ALSO A GREATER PROPORTION OF THEIR INCOMES. THIS MEANS THAT IF CIVIL CONSUMPTION OR INVESTMENT HAS TO BE RESTRAINED OR REDUCED IN ORDER TO MEET THE COMMON NEEDS OF THE ATLANTIC COMMUNITY, LIMITATIONS SHOULD BE LEAST FOR THE WEAKER COUNTRIES; IT IS MORE ESSENTIAL THAT THEY SHOULD MAINTAIN OR INCREASE THEIR INVESTMENT OR CONSUMPTION IN THE SHORT RUN THAN IT IS FOR A STRONG COUNTRY.

OVER THE YEARS NATO HAS AGREED THAT THERE IS A NEED FOR BURDENSHARING BUT IT HAS BEEN UNABLE TO AGREE ON AN ACCEPTABLE DEFINITION OF THE BURDEN OR HOW TO MEASURE BURDEN.

HOW A COUNTRY DEFINES BURDEN IS DEPENDENT UPON ITS ECONOMIC AND POLITICAL CIRCUMSTANCES, AND HOW IT PERCEIVES THE THREAT. FOR EXAMPLE, A COUNTRY WITH BALANCE OF PAYMENT PROBLEMS TENDS TO EMPHASIZE THE COST OF TROOPS STATIONED ABROAD OR PROCUREMENT OF MILITARY EQUIPMENT ABROAD. COUNTRIES WITH LOW STANDARDS OF LIVING OR SERIOUS ECONOMIC PROBLEMS POINT OUT THE IMPORTANCE OF STRONG ECONOMIES ON WHICH TO BASE MILITARY STRENGTH. COUNTRIES WITH STRONG PACIFIST ELEMENTS FIND THEMSELVES INHIBITED POLITICALLY

IN ALLOCATING RESOURCES TO DEFENSE. FINALLY, THERE ARE WIDE VARIATIONS AMONG THE ALLIES IN PERCEPTION AS TO THE THREAT THEY COLLECTIVELY FACE.

ALL OF THESE FACTORS ARE AT PLAY IN THE UNITED STATES.

WE RECOGNIZE THAT AT LEAST IN THE LONG RUN, AND PROBABLY IN THE SHORT TOO, UNITED STATES' PARTICIPATION IN NATO, AND NATO'S STRENGTH AS AN ALLIANCE, DEPEND HEAVILY ON PUBLIC SUPPORT OF ITS GOALS AND ACTIVITIES. THIS IS AS TRUE IN THIS COUNTRY AS IT IS IN CANADA AND EUROPE.

IF OUR CITIZENS ARE UNCONVINCED THAT WHAT WE ARE DOING IS UNWISE, OR FRUITLESS, OR NOT WORTH THE EFFORT PUT INTO IT, THE DAYS OF THE ENTERPRISE WILL BE NUMBERED.

MORE SPECIFICALLY, IF PUBLIC OPINION IN THIS COUNTRY SHOULD CONSIDER THAT THE UNITED STATES IS SHOULDERING VIRTUALLY THE ENTIRE BURDEN OF NATO DEFENSE AND THAT OUR ALLIES ARE DOING AN INSIGNIFICANT AMOUNT, A DRASIC RETRENCHMENT OF OUR NATO COMMITMENTS WOULD NOT BE LONG DELAYED.

MORE IMMEDIATE STILL IS THE EFFECT ON OUR NATO INVOLVEMENT OF CONGRESSIONAL ATTITUDES, WHICH MUST IN TURN HEED OF IF NOT REFLECT DIRECTLY THE MAIN CURRENTS OF PUBLIC OPINION. THE CONGRESS VOTES THE DEFENSE BUDGET. IT VOTES FUNDS FOR NATO PROGRAMS. AND OF COURSE IT HAS THE POWER TO CONSTRAIN OR ELIMINATE OUR PARTICIPATION IN NATO PROGRAMS OR US PROGRAMS IN SUPPORT OF NATO.

SO IT IS CLEAR, IN MY OPINION, THAT WE NEED THE BEST POSSIBLE UNDERSTANDING BY THE AMERICAN PUBLIC OF THE PURPOSES, ACHIEVEMENTS AND, TO BE SURE THE PROBLEMS THE ALLIANCE FACES. AND AS ONE ASPECT OF THIS, WE NEED THE BEST POSSIBLE UNDERSTANDING OF THE RELATIONSHIP BETWEEN US EFFORTS AND THOSE OF OUR ALLIES. I HOPE I AM NOT BEING PRESUMPTUOUS IN THINKING THAT I CAN ASSIST THIS PROCESS BY GIVING YOU SOME FACTS AND PERHAPS SOME INSIGHTS THAT YOU DO NOT ALREADY POSSESS.

MOST OF THE CRITICS OF ALLIED BURDENSHARING PERFORMANCE BUILD THEIR CASE ON THE PERCENT OF GNP OR GDP FOR DEFENSE AND ON THE RATE OF REAL INCREASE. FOR EXAMPLE, THEY POINT OUT QUITE RIGHTLY THAT WE SPEND ABOUT 6.5 PERCENT OF OUR GDP ON DEFENSE WHILE OUR EUROPEAN ALLIES SPEND ABOUT 3.8 PERCENT. ALSO FOR THE PERIOD STARTING IN 1979 WHEN THE NATO AGREEMENT TO AIM FOR 3 PERCENT REAL ANNUAL GROWTH CAME INTO EFFECT, WE HAVE BEEN INCREASING EXPENDITURES AT MORE THAN 4 PERCENT ANNUALLY WHILE OUR ALLIES HAVE BEEN INCREASING AT BETWEEN 2 AND 3 PERCENT ANNUALLY.

THESE TWO FACTS TAKEN TOGETHER HAVE LED MANY TO BELIEVE THAT THE UNITED STATES IS DOING FAR TOO MUCH FOR THE COMMON DEFENSE AND THAT THE EUROPEANS ARE DOING HARDLY ANYTHING. THIS MYTH HAS BEEN SUPPORTED EVEN SOME PEOPLE WHO ACKNOWLEDGE THE FACT THAT THE UNITED STATES' PARTICIPATION IN NATO AND OUR MILITARY PRESENCE IN EUROPE SERVES OUR OWN NATIONAL SECURITY INTERESTS AS WELL AS EUROPE'S. I WOULD BE THE FIRST TO AGREE THAT THERE IS ROOM FOR

ARGUMENT ABOUT WHETHER THE ALLIED CONTRIBUTION TO THE ALLIANCE TODAY IS ADEQUATE, AND WHETHER THE UNITED STATES IS CARRYING SOMEWHAT TOO MUCH OF THE BURDEN. BUT THE NOTION THAT THE BURDEN IS BORNE OVERWHELMINGLY BY US WHILE THE RICH EUROPEANS RACE DOWN THEIR AUTOROUTES IN MERCEDES ON THE WAY TO THE BEACH IS BOTH UNFAIR AND PERNICIOUS.

WHEN ONE TURNS TO OTHER QUANTITATIVE MEASURES, ESPECIALLY WHEN LOOKED AT FROM A LONG TERM PERSPECTIVE OR IN OUTPUT MEASURES, THE ALLIES FARE MUCH BETTER.

FOR EXAMPLE, DURING THE DECADE OF THE 70S THE ALLIES INCREASED DEFENSE SPENDING AT AN AVERAGE RATE OF ABOUT 2 PERCENT ANNUALLY WHILE THE US EXPENDITURE DECLINED AT ABOUT 1 PERCENT ANNUALLY SO THAT BY THE END OF THE DECADE THE PROPORTION OF THE TOTAL ALLIANCE DEFENSE EFFORT CARRIED BY THE ALLIES HAD INCREASED RATHER SIGNIFICANTLY. IN MANPOWER TERMS THE ALLIES HAVE ON AN AVERAGE 0.04 PERCENT OF THEIR POPULATION IN THE MILITARY, COMPARED TO 0.03 PERCENT FOR THE UNITED STATES.

WHEN ONE TURNS TO SOME OF THE RELEVANT OUTPUT MEASURES RESULTING FROM NATIONAL DEFENSE EFFORTS, FOR EXAMPLE, GROUND COMBAT POWER KNOWN AS "ARMORED DIVISION EQUIVALENTS", THE TONNAGE OF COMBAT SHIPS, AND NUMBERS OF TACTICAL COMBAT AIRCRAFT; OUR EXPERTS HAVE SOUGHT TO MEASURE, YOU MAY BE SURPRISED TO LEARN, THAT MANY ALLIES DO BETTER THAN THE UNITED STATES.

FOR EXAMPLE, IN TERMS OF ARMORED DIVISION EQUIVALENTS PER UNIT OF POPULATION, THE UNITED STATES RANKS ONLY SIXTH OR SEVENTH AMONG THE NATO NATIONS.

IT IS CLEAR FROM THIS AND A NUMBER OF OTHER CONSIDERATIONS CONTAINED IN THE BURDENSHARING REPORT WHICH THE DEFENSE DEPARTMENT RECENTLY SUBMITTED TO CONGRESS THAT FAR FROM BEING RELATIVELY INSIGNIFICANT IN COMPARISON WITH THE UNITED STATES EFFORT, THE ALLIED CONTRIBUTION TO OUR COMMON DEFENSE IS VERY SUBSTANTIAL INDEED.

MY PREVIOUS MENTOR, GENERAL BERNARD W. ROGERS, WHO IS NATO'S SUPREME COMMANDER FOR ALL OF EUROPE, HAS OFTEN POINTED OUT THAT OF THE FORCES THAT WOULD BE IMMEDIATELY AVAILABLE TO NATO IN ANY MAJOR CONFLICT, THE FORCES OF OUR ALLIES WOULD CONSTITUTE ABOUT 90 PERCENT OF THE GROUND FORCES AND ABOUT 80 PERCENT OF THE COMBAT AIRCRAFT AND 70 PERCENT OF THE FIGHTING SHIPS.

SINCE WE KNOW THAT AGAINST A MAJOR AGGRESSION NATO WOULD BE HEAVILY DEPENDENT UPON REINFORCEMENTS FROM THE UNITED STATES AND OTHERS, LET ME GIVE YOU ANOTHER COMPARISON THAT IS PERHAPS EVEN MORE TELLING. OF THE TOTAL FORCES WORLD WIDE OF THE ALLIANCE MEMBERS OUR ALLIES PROVIDE:

- ABOUT 60% OF THE TOTAL GROUND COMBAT POWER;
- ABOUT 40% OF THE TOTAL NAVAL COMBAT SHIP TONNAGE; AND
- ABOUT 60% OF THE TACTICAL AIRCRAFT.

NONE OF THESE STATISTICS TAKE INTO ACCOUNT SOME OTHER VERY IMPORTANT CONSIDERATIONS WHICH ARE EITHER DIFFICULT OR IMPOSSIBLE TO QUANTIFY BUT WHICH MERIT CONSIDERATION IN STRIKING THE OVERALL BALANCE.

ONE OF THESE, AS I SUGGESTED, IS THE FACTOR OF THE INITIAL BATTLEGROUND.

OTHERS WOULD INCLUDE THE CONTRIBUTION OF VAST AMOUNTS OF REAL ESTATE FOR TROOP STATIONING, FACILITIES, AND SO FORTH, AND TAXES FOREGONE AS A CONSEQUENCE OF SUCH CONTRIBUTIONS.

THE GERMANS AND OTHERS POINT OUT THEY MAINTAIN A SYSTEM OF CONSCRIPT SERVICE WHICH HAS POLITICAL AND ECONOMIC BURDENSHARING ASPECTS WHICH THE UNITED STATES HAS BEEN UNWILLING TO ACCEPT.

LETS LOOK FOR A MOMENT AT SOME ASPECTS OF THE GERMAN SITUATION SINCE THEY ARE FREQUENTLY SINGLED OUT AS NOT DOING WELL. REMEMBER GERMANY IS ABOUT THE SIZE OF OREGON BUT HAS A POPULATION ABOUT 15 TIMES LARGER. GERMANY IS THE HOST FOR 392,000 ALLIED SERVICEMEN FROM SIX ALLIED NATIONS, 159,000 OF THEM NON-US. IN ADDITION, THERE ARE 325,000 DEPENDENTS OF ALLIED SERVIEE-MEN. GERMANY PROVIDES MARRIED QUARTERS FOR 130,000 ALLIED SERVICE MEMBERS, 92,000 OF THEM FREE OF CHARGE. OVER 5000 MILITARY EXERCISES ARE HELD ON THEIR SOIL EACH YEAR. UNLIKE THE US MOST OF THESE ARE CONDUCTED IN POPULATED AREAS AND ACROSS FARMER'S FIELDS BECAUSE THERE IS NO OTHER PLACE FOR THEM. THEY DO OVER \$40 MILION WORTH OF DAMAGE A YEAR TO CIVILIAN PROPERTY AND FREQUENTLY CAUSE SEVERAL

CIVILIAN DEATHS PER YEAR. GERMANY PROVIDES ALLIES WITH OVER \$18 BILLION IN REAL ESTATE RENT AND TAX FREE AND HAVE TO ABSORBS THE ASSOCIATED COST OF UTILITIES AND CIVIL INFRASTRUCTURE SUCH AS HIGHWAYS, POLICE, AND FIRE PROTECTION. OVER 580,000 MILITARY FLIGHTS ARE CONDUCTED OVER GERMANY A YEAR, 200,000 BY ALLIED AIR FORCE. OF THESE, 110,000 ARE LOW-LEVEL FLIGHTS WHICH ARE CONDUCTED OVER MORE THAN TWO-THIRDS THE TERRITORY OF THE FEDERAL REPUBLIC OF GERMANY. GERMANY SPENDS \$5.8 BILLION A YEAR FOR SUPPORT OF BERLIN INCLUDING OVER \$337 MILLION FOR THE SUPPORT OF US FORCES THERE. NONE OF THESE EXPENDITURES ARE INCLUDED IN GERMAN DEFENSE EXPENDITURES YET THEY CERTAINLY CONSTITUTE ECONOMIC, POLITICAL AND SOCIAL BURDENS.

IN MY OPINION, THESE IMPRESSIVE FIGURES CERTAINLY GIVE THE LIE TO ANY IDEA THAT WE ARE ENGAGED IN A ONE-SIDED ALLIANCE IN WHICH THERE IS MOSTLY GIVE AND VERY LITTLE TAKE.

WELL, YOU MAY ASK, IF THE FACTS ARE AS YOU SAY, WHY IS THERE SO MUCH CONCERN IN THE CONGRESS ABOUT THE BURDENSHARING ISSUE? THERE ARE A NUMBER OF REASONS.

FIRST, REMEMBER THAT, AS I SAID, BY SOME OF THE QUANTITATIVE MEASURES SUCH AS PROPORTION OF ECONOMIC PRODUCT ALLOCATED TO DEFENSE, OUR PERFORMANCE DOES EXCEED THAT OF MOST ALLIES BY A WIDE MARGIN.

SECOND, THERE IS CONCERN NOT SO MUCH ABOUT THE HISTORICAL RECORD OR EVEN THE PRESENT BALANCE OF EFFORT AS ABOUT THE CURRENT TREND, MOST PARTICULARLY THE LARGE DISPARITY BETWEEN THE UNITED

STATES AND ITS ALLIES AS REGARDS ANNUAL REAL INCREASES IN DEFENSE EXPENDITURES. AS I MENTIONED, THIS TREND THREATENS TO WIPE OUT THE GAINS MADE IN THE 70S WHEN THE ALLIES SLOWLY BUT STEADILY ASSUMED A LARGER SHARE OF THE TOTAL BURDEN. PUT ANOTHER WAY, THERE IS A FEELING IN CONGRESS THAT THE UNITED STATES HAS AWAKENED TO THE FULL IMPLICATIONS OF THE RELENTLESS SOVIET BUILD-UP OF BOTH ITS NUCLEAR AND CONVENTIONAL FORCES, AND EUROPE HAS NOT, OR THAT IF IT HAS AWAKENED IT IS LETTING ECONOMIC AND SOCIAL PRESSURES RESTRAIN ITS RESPONSE UNDULY.

THIRD, OUR CONGRESS IS VERY CONSCIOUS OF THE PEACE MOVEMENTS AND ANTI-NUCLEAR SENTIMENT IN EUROPE WHICH HAVE CAUSED PROBLEMS, FOR EXAMPLE, FOR THE NEEDED MODERNIZATION OF OUR THEATER NUCLEAR FORCES IN EUROPE, ABSENT A CONCRETE ARMS CONTROL AGREEMENT WITH THE SOVIET UNION.

MANY IN OUR CONGRESS ARE IN FACT SYMPATHETIC WITH WHAT APPEARS TO BE A WIDESPREAD DESIRE IN EUROPE TO BECOME LESS DEPENDENT ON NUCLEAR WEAPONS TO ENSURE DETERRENCE. PUT THE CONGRESS DOES NOT SEE THE ALLIED GOVERNMENTS DRAWING THE CONSEQUENCES OF THIS CONVICTION. THAT IS, UNTIL WE HAVE REAL PROGRESS IN ARMS CONTROL, THE WAY TO REDUCE RELIANCE ON NUCLEAR WEAPONS IS TO IMPROVE SUBSTANTIALLY THE CONVENTIONAL LEG OF THE SO-CALLED NATO TRIAD. BUT THIS IS EXPENSIVE, AND THE FEELING IN CONGRESS IS THAT THE EUROPEANS ARE NOT WILLING TO MAKE THE NECESSARY SACRIFICES FOR THIS PURPOSE.

AND LASTLY, THERE IS THE PERCEPTION IN CONGRESS THAT THE SECURITY OF BOTH THE UNITED STATES AND ITS NATO ALLIES IS INCREASINGLY THREATENED, OR AFFECTED BY, GLOBAL DEVELOPMENTS AND EVENTS OUTSIDE THE NORTH ATLANTIC TREATY AREA.

Most Congressmen would probably agree that because of its size and power and world-wide interests and responsibilities, the United States must expect to be the principal actor in building deterrence or responding to threats in this larger arena.

But, say many of our legislators, precisely because of this need for the US to concern itself with deterrence on a global basis, the time has come for the Europeans, and Canada, to pick up a greater share of the direct defense of Europe.

As you will appreciate, this argument is perfectly tenable even if one accepts that up until now the allies have been carrying approximately their fair share of the total burden. The Persian Gulf provides a good example to illustrate this last line of argument.

The Congress has authorized the expenditure of billions of dollars to build a US military force capable of rapid deployment to the Gulf region in case of need. While we would hope never to have to use such an instrument, the very existence of a capability to project force rapidly in this manner serves as a deterrent to Soviet ambitions in the area, and helps to promote stability in the region as a whole and to assure access

TO NEEDED OIL SUPPLIES. YET IN TERMS OF OIL IMPORTS, OUR EUROPEAN ALLIES AS A GROUP ARE FAR MORE DEPENDENT UPON PERSIAN GULF OIL THAN IS THE UNITED STATES. SO HERE AGAIN, THERE IS A PERCEPTION IN THE CONGRESS THAT OUR ALLIES ARE NOT DOING ENOUGH TO HELP US WITH OUR COMMON PERSIAN GULF PROBLEM, EITHER BY PLANNING THEMSELVES TO ASSIST DIRECTLY IN THE AREA, OR BY FACILITATING OUR OWN ACTIONS, OR BY INCREASING THEIR EFFORTS TO IMPROVE NATO'S POSTURE IN ORDER TO COMPENSATE FOR ANY EVENTUAL DIVERSION OF US FORCES TO MEET CONTINGENCIES ELSEWHERE.

I DO NOT MEAN TO SUGGEST THAT THE ADMINISTRATION DOES NOT SHARE, AT LEAST TO SOME DEGREE, THE CONCERNs THAT I HAVE JUST MENTIONED. THEY ARE IN OUR OPINION LEGITIMATE CONSIDERATIONS, AND WE HAVE ON MANY OCCASIONS DISCUSSED THEM FRANKLY WITH THE ALLIES.

WHERE WE HAVE SOME DIFFERENCES WITH THE CONGRESS LIES LESS IN WHAT THE FACTS ARE OR IN WHAT THE TRENDS ARE THAN IN HOW WE CAN BEST DEAL WITH THEM.

WHATEVER WE DO IN REGARD TO BURDENSHARING WE MUST KEEP IN MIND WHAT IS IN OUR OWN BEST INTEREST.

IF IT IS TRUE THAT WE ARE DOING EUROPE A FAVOR BY OUR INVOLVEMENT IN NATO - AND I DO NOT CONTEST THAT PROPOSITION - IT IS ALSO TRUE THAT WE ARE DOING OURSELVES A FAVOR.

WE LEARNED THE HARD WAY AND AT ENORMOUS COST IN TWO WORLD WARS THAT THE UNITED STATES COULD NOT INSULATE ITSELF FROM MAJOR

EUROPEAN CONFLICT. OUR ROOTS, HISTORIES, ECONOMIES, CULTURES, OUR VERY BLOOD ARE TOO INTERMIXED, TOO INEXTRICABLY LINKED TO PERMIT THE LUXURY OF ISOLATION, OR FORTRESS AMERICA AS IT IS SOMETIMES CALLED. IF THE INDUSTRIAL DEMOCRACIES OF WESTERN EUROPE WERE TO FALL UNDER SOVIET YOKE OR DOMINATION, EITHER AS A RESULT OF AGGRESSION OR THROUGH A LONG PROCESS OF INTIMIDATION AND COERCION, THE CONSEQUENCES FOR THE UNITED STATES WOULD BE CATASTROPHIC INDEED. THE BALANCE OF POWER BETWEEN EAST AND WEST WOULD SHIFT FUNDAMENTALLY AND MASSIVELY AGAINST US.

WE WOULD NEED TO DEVOTE FAR GREATER RESOURCES TO DEFENSE TO ENJOY EVEN DIMINISHED SECURITY. WE WOULD BE ESSENTIALLY ISOLATED IN THE WORLD. AND IT WOULD BE PROBLEMATICAL HOW LONG WE WOULD HAVE THE CAPACITY, OR EVEN THE WILL, TO RESIST THE FURTHER SPREAD OF SOVIET AND INTERNATIONAL COMMUNIST HEGEMONY. THIS IS PRECISELY WHY THE DEFENSE AND STATE DEPARTMENTS HAVE INSISTED SO FORCEFULLY, AND REGARDLESS OF THE ADMINISTRATION IN POWER, THAT THE FREEDOM OF WESTERN EUROPE IS VIRTUALLY INSEPARABLE FROM OUR OWN.

OR AGAIN, THAT THE SECURITY OF WESTERN EUROPE IS FOR THE UNITED STATES SECOND IN IMPORTANCE ONLY TO THAT OF THE UNITED STATES ITSELF.

THIS IS WHY WE RESIST SO STRENUOUSLY THE NOTION THAT OUR TROOPS ARE IN EUROPE JUST TO HELP THE EUROPEANS.

Concentrate for a moment on these two objectives -- deterrence and defense. At first they seem to be so obvious as to not be worth mentioning. After all, of course we want to deter attack, of course we want to defend ourselves if we're attacked. But I think it's worth focusing on these first two objectives because if you look historically at why nations have held strong military forces or even if you look today at countries which hold strong military forces throughout the world, you realize that not everybody has military forces to deter attack, or to assume a defensive posture during conflict. Some countries have possessed and currently possess military force because they want to capture territory or use their military advantage to gain political concessions from their neighbors. So it's worth remembering that the United States' fundamental premise for possessing military forces is to deter some other country from attacking us. We openly show any potential adversary who's contemplating an attack against the United States or our allies, or attempting to exploit us politically that they cannot succeed. They look and they see what kind of military forces we have. And they realize in advance that any attack they might contemplate -- whether it would be interference with commercial shipping at one end of the spectrum or a nuclear attack at the other end of the spectrum -- that in any attack against us, we respond by levelling an equivalent amount of damage to the attacker. Now all these calculations go on in the mind of the adversary before he actually begins an attack. If he sees that any attack he might contemplate is useless, then the presumption is that he will never begin that attack.

With conventional forces, although not in the sense of nuclear forces, if deterrence fails and we are attacked in Europe, or another part of the world, our objective would be to get military forces to the area of conflict as quickly as possible, defend ourselves and deny our adversary his military objectives. So again, keep in your mind that these are the national security objectives we begin with: to deter attack and, if deterrence fails, to defend ourselves and deny an enemy victory. From these two national security objectives, we in turn derive the particular kind of forces we have and train the way we do, and buy the kind of equipment we do. If our national security objectives were different; for example, if our first one was to attack the Soviet Union and Warsaw Pact, we would then need a very different kind of military force than the one we now have.

This next chart shows some facts and figures about U.S. - Soviet and NATO - Warsaw Pact forces. Once we have determined our national security objectives -- and these have remained roughly the same in the postwar period -- we look around the world to see what adversarial military forces exist that could prevent us from achieving those objectives. What kind of military threat do we face? Now

REBUILDING MILITARY STRENGTH
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JUNE 18, 1984

Good afternoon. What I would like to do is to bring on some charts and to give you a basic briefing, really a Pentagon briefing, on how we determine the kinds and the amounts of military forces that we need. This is based on a briefing that Secretary Weinberger has given as he presents the budget on Capitol Hill every year and it's something that, although it throws an awful lot of information at you, gives you a good sort of foundation to ask further questions either of me or the other speakers that you're going to have. So what I'd like to do is open by talking you through how we determine the Defense posture of the United States and then to take questions on what we've talked about or anything else you might want to talk about.

A lot of people think that when we determine the size of the defense budget basically what happens is Secretary Weinberger has a meeting with all the Service chiefs, everybody puts in their wish lists, we add it all together, Secretary Weinberger triples the figure, and then goes to Congress and says this is how much money we need. Believe it or not, that's not really the way it happens. What we do is to determine, during the course of a 12-month cycle, what kind of military threats we face, and therefore not only how much money but what kinds of forces, what kinds of military equipment we need to meet that threat. We begin this 12-month cycle by taking a look at the original purpose that the United States possesses military forces for.

As the first chart shows, we begin by reexamining our national security objectives -- the foreign policy and security objectives we as a nation have set for ourselves. Our two fundamental national security objectives are, first to deter attack against the U.S. and our allies; and if deterrence fails and we are attacked, to deny the enemy its military objective. We also have, and have had throughout the postwar period, other national security objectives including arms reduction, to prohibit further Soviet expansion, and to control technology transfer. But since these don't really directly figure into the calculation of how many or what kinds of military forces we need, I'll concentrate on the first two national security objectives.



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Executive Branch, Legislative Branch, and the Judicial Branch, the checks and the balances have enabled this nation to exist these 200 plus years such that our form of government is the oldest, continuously functioning democratic - that's a small d - republic on the face of the earth today. The oldest! And every other form of government that was in existence in the time of our Declaration and Constitution has fallen into the dustbin of history save that of the great United States of American. So be it.

Let's open up the floor for discussion.

Now the appropriation cycle's much the same. They too have hearings, a markup, a conference, a Bill, and then it is voted out. But mind you, the Appropriations Committee handles all the money that flows through the Congress and, as such, they only devote a portion of their time to the military budget, albeit, usually a very large portion of their time. They look at what we authorize in the context of other money bills, and the overall fiscal situation of the nation and determine what portion of the authorization can be funded, presumably without worsening the deficit or, in other words, imbalancing the accounts of the Congress.

So they indeed play a very valuable function, and sometimes they exercise judgment contrary to that of the Authorization Committee. One striking example was in the past few years - the monies required for the production of chemical weapons - nerve gas, chemical gas, that whole area. Some of the members of the Appropriations Committee felt very strongly about it and we got into quite a clash between the two Committees as to whether or not these appropriations would be passed by the Senate. In the area of the MX, there's been some strong division of opinion. But, by and large, I would say that, with 90+ percent of the authorized items, the Appropriations Committee will assign the proper dollar figures or the required dollar figures.

Well, that gives you a brief description of the process on the Hill. I was asked to speak 10 or 12 minutes and then we'd have a lively discussion on, presumably, the military budget, but if there are other questions that you wish to ask, I'll be happy to entertain them.

I know this whole process sounds a little confusing. And I'm reminded of Winston Churchill's statement when he looked at our government in action during certain phases of World War II and how, even with the war going on, the Congress would try and superimpose their judgment. And he used to roar and say, indeed democracy, the form of government in the United States, is the worse form he had ever seen. But then he would pause and said he knew of no better. And indeed I agree.

When you stop to think of the 200 plus years of this great nation of ours, the interworkings between the Constitution, Bill of Rights, Declaration of Independence,

wouldn't want to put on the Defense Bill a subject that is totally unrelated to national defense, although that can be done on other Bills in the Senate. It's sort of a long-standing agreement that the Defense bill is relatively sacrosanct and should not be used as what we call a Christmas tree - to hang on all your pet projects and dams, and chicken farms and the like. So we try and get what is known as a clean bill on the floor. But, any amendment that you have with respect to our national defense policy, manpower, personnel, weapons or the like will be entertained on the Floor.

Following that, we pass a bill. The House of Representatives passes the Bill. And then we go into conference, which means that the senior members of each Armed Services Committee, a group from the Senate and a group from the House, sit across from one another at a small table like two of these pushed together, and for about a week, behind closed doors in total secrecy, we hammer out the final conference report, which is then taken to the floor and, once again, voted on by both Houses of Congress. It's in that conference that we reconcile the differences.

As you might imagine with 435 voting Members of the House and 100 Senators, there's bound to be a different perspective. And indeed, the Senate, as you well know, is controlled by the Republican Party, the House by the Democratic Party and, in Defense, there are some political measures that find their way in - although fewer than in most pieces of legislation. Nevertheless, (Seal falls off speaker podium)... There must be a symbolism to that, what happened? (Voice: The seal just fell off.)

That reminds me of the old story the Senator said, when Senators get up to talk, they begin to talking and eventually think of something to say. So I guess that's a sign.

I'm sorry about all the interruptions here. But I'll try to get back on track. After the conference report, again voted upon by both Houses of the Congress, the Act is sent to the President where, almost without exception, he signs the military Bills and rarely if ever, can I recall a veto on an Authorization Bill.

hearings. The hearing cycle is initiated by the Secretary of Defense, followed then by each of his principal subordinates, the Service Secretaries: Army, Navy, Air Force. And then there are several Under Secretaries and Assistant Secretaries that have special functions.

Following the hearings we go into what we call a markup session. Now, there's a subcommittee structure which means that the Armed Services Committee has five subcommittees. And each of those subcommittees has a markup responsibility - taking the President's bill, comparing it with the hearing information, and then determining what portions of that bill we will authorize in terms of dollars for each programs. After subcommittee markup, the full committee marks up, which means there is a second review process within the committee structure.

As a rule the Armed Services Committee, a strong bipartisan committee as it should be, headed for many years by Senator Stennis, then Senator Jackson and now Senator Tower. The urgency of my remarks is that Senator Nunn is on the first floor at this minutes with his Bill to reduce NATO spending and my military aide is coming back to tell me what the problem is. But anyway, Senator Nunn is a superb individual and, indeed, politics to one side, he and other members of the Democratic side of that committee work closely with the Republicans and we do, I think, perform in the true spirit, of a bipartisan legislative roll.

And if you will forgive me for just a moment.
(Speaks with military aide)

I've been in the Senate now for five years and I've missed, I think, seven votes. I'm going to miss my eighth for you.

The markup session then is followed by floor debate on the Bill. And that's precisely what we're in today. And have been in for a week and will remain in through tonight, hopefully finishing tomorrow. There, all Members of the Senate are able to look at any portion of that Bill and determine for themselves whether or not they wish to support it.

In addition, on the Senate side, we can bring forward any amendment that is desired. Now there has to be some, in an informal way, germaneness. In other words, we

Admiral - and, as the Soviets are prone to do when they get decorations - for example, if you get a second decoration in the United States, you would put a little star or oak leaf cluster on the ribbon, but they don't - every time they get another decoration of the same type, they add them. So he had four red stars hanging down here amidst all the other decorations.

We walked in the front door of this club. I just had on a simple suit, such as this one, and I suggested that we go over in the far corner. We ordered a few drinks and sat and conversed with the interpreters. And then we got a message that there had been a breakthrough and would we return quickly. So I looked in my pocket and I didn't have a penny in my pocket. Not a nickel. And I called the gent over that had been waiting on us and I said I'm not able to pay the bill but I'll see that my aide will.

Beeper goes off. Is that mine? Go make the call please.
(said to aide)

Anyway, I'll tell you this story quickly. So to make a long story short, I had no money. Then the fellow inquired, "Well who are you?" And I said, "I'm Secretary of the Navy." And he said, "Who's the other gent with you?" And I said, "He's the Commander-in-Chief of the Soviet Atlantic fleet." And he said, "Well, I'll tell you, I'm also the Commander-in-Chief of the Military District of Washington. All you guys are going to jail."

I may have to leave sooner than I had hoped to leave because of a vote on the floor. But let me proceed quickly to cover seriously some of the defense responsibilities that I have the privilege of being involved in in the Congress.

As you know, under the Constitution, the President's Commander-in-Chief. And he's blamed for a lot of things. He's blamed for the deficit. But always remember that the President cannot spend on single nickel unless the Congress authorizes and appropriates that money. And, indeed, that is our function under the Constitution - authorization and appropriation. And when it comes to the military bill we do it twice.

The Authorizing Committee, of which I'm a member - the Armed Services Committee - goes first through an analysis of the President's budget when it comes to the Hill. Then

CONGRESSIONAL RESPONSIBILITY FOR THE DEFENSE BUDGET

BY

JOHN W. WARNER
SENATOR, STATE OF VIRGINIA

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERISTY

JUNE 18, 1984

We're on the last phases of considering the 1985 Authorization Bill. And one of the unique, historical ways in which the United States Senate does business is that we rarely convene before 12:00 noon and when we're on an important bill we work on it all night long. We're like school boys. Tonight we're going to have another all-night session in the hopes that the bill can be completed. But I look forward to this opportunity to visit with you today.

Coming here to this club and listening to Dr. Korb mention that I was privileged in 1971 - 72 to be the principal negotiator in the Incidents at Sea Agreement, brought back memories. Right at the end of this beautiful lawn, that dominant building at the far end from this Officers' Club (National Defense University) is where we held the U.S. counterpart of those talks. We would alternate between Moscow and Washington. When in Moscow my counterpart there was Admiral Gorshkov, Admiral of the fleet of the Soviet Union. He never left the Soviet Union. He would always send his first deputy, a four-star Admiral to Washington for the purpose of negotiations here.

Well, to bring this story to a point, we were in an absolute deadlock, as you frequently are when negotiating with the Soviets. And the Admiral had had rather a long night. I had introduced him to Virginia Gentlemen bourbon and he thought it was the best thing he had ever tasted.

He had a way of communicating with me when he wanted to just sort of leave the negotiations and let our subordinates probably make more progress than we could. And he suggested that we go and have a luncheon break which I knew meant he wanted to have a good, big healthy snort. So I walked right down here with him. Mind you, he was in full naval regalia - stripes of the Soviet full



JOHN W. WARNER
UNITED STATES SENATOR
VIRGINIA

I HAVE TRIED TO SHOW THAT ANY CAREFUL COMPARISON OF ALLIED DEFENSE EFFORTS WITH OUR OWN WILL CONFIRM THAT THERE IS NO QUESTION OF AN OVERWHELMING DISPARITY BETWEEN THE TWO ELEMENTS; AND THAT THE SCALES ARE RATHER EVENLY BALANCED EVEN THOUGH IT IS CLEAR THAT SOME INDIVIDUAL ALLIES FALL TOO FAR BELOW THE AVERAGE.

FINALLY, I HOPE I HAVE HELPED YOU TO UNDERSTAND WHY SECRETARY WEINBERGER HAS SAID SO OFTEN THAT THE MAIN POINT IS NOT THAT WE NEED A MAJOR SHIFT IN THE RELATIVE BURDENS CARRIED BY OUR ALLIES VIS-A-VIS THE UNITED STATES, BUT THAT WE ALL NEED TO DO MORE IF WE ARE TO ASSURE THE MAINTENANCE OF AN ADEQUATE BALANCE OF FORCES IN RELATION TO THE WARSAW PACT.

I THANK YOU FOR YOUR ATTENTION AND I LOOK FORWARD TO TRYING TO ANSWER QUESTIONS YOU MAY HAVE.

WE WILL CONTINUE TO PRESS FOR THE ESTABLISHMENT OF NATO FORCE GOALS COMMENSURATE WITH NATIONS' ABILITY TO CONTRIBUTE MORE TO ALLIANCE DEFENSIVE STRENGTH. WE ARE WORKING VIGOROUSLY FOR ALLIANCE AGREEMENT ON AN EXPANDED NATO INFRASTRUCTURE PROGRAM TO ENSURE THAT OUR GROUND AND AIR REINFORCEMENTS WILL BE ADEQUATELY PROTECTED AND SUPPORTED WHENEVER THEY NEED TO BE DEPLOYED. WITH REGARD TO PEACETIME HOST NATION SUPPORT, WE SEEK UPGRADING OF US-USE FACILITIES AND IMPROVEMENTS IN THE QUALITY OF LIFE FOR US FORCES IN GERMANY, AND EQUITABLE IMPLEMENTING ARRANGEMENTS FOR USE OF BASES AND THE STATUS OF OUR FORCES UNDER DEFENSE COOPERATION AGREEMENTS WITH THE SOUTHERN REGION COUNTRIES. CIVIL EMERGENCY PLANNING IS ANOTHER CRITICAL AREA IN WHICH EUROPE CAN MAKE A GREATER CONTRIBUTION TO EFFECTIVE DETERRENCE. ALLIES HAVE ALREADY COMMITTED SUBSTANTIAL NUMBERS OF SHIPS AND AIRCRAFT TO CIVIL RESERVE FLEETS, AND WE ARE WORKING TO SECURE FURTHER COMMITMENTS IN THIS REGARD.

WELL, I BELIEVE I HAVE PROBABLY STRAINED YOUR PATIENCE TO THE LIMIT WITH THIS RATHER LENGTHY REVIEW OF BURDENSHARING CONSIDERATIONS IN THE NORTH ATLANTIC ALLIANCE.

MY HOPE, QUITE FRANKLY, IS THAT I HAVE LEFT YOU WITH A GREATER APPRECIATION FOR THE COMPLEXITIES OF THE ISSUE, AND WITH A HEALTHY SKEPTICISM REGARDING EXTREMIST POSITIONS OR SIMPLISTIC REMEDIES.

TO PLACE LIMITS ON US SUPPORT FOR NATO UNLESS THE ALLIES IMPROVE THEIR OWN PERFORMANCE IN SPECIFIED WAYS.

WE FRANKLY BELIEVE THAT PUNITIVE MEASURES OF THIS KIND ARE ILL-ADVISED AND VERY POSSIBLY SELF-DEFEATING. EVIDENCE OF A DIMINISHED US COMMITMENT TO THE ALLIANCE APPEARS LESS LIKELY TO SPUR INCREASED ALLIED EFFORT THAN TO INVITE COMPARABLE RETRENCHMENT BY OUR ALLIES.

THIS ADMINISTRATION BELIEVES THAT THE SOLUTION TO THE BURDEN-SHARING ISSUE LIES IN PATIENCE, LEADERSHIP, AND GREATER INVOLVEMENT IN COOPERATIVE PROGRAMS.

WE ARE ACTING ON MANY FRONTS TO PERSUADE OUR ALLIES TO ASSUME A GREATER SHARE OF THE OVERALL DEFENSE EFFORT, AND WILL CONTINUE THESE EFFORTS. SIGNIFICANT PROGRESS HAS ALREADY BEEN REALIZED, IN SOME AREAS, AND MORE IS ANTICIPATED. THE 1982 WARTIME HOST NATION SUPPORT AGREEMENT WITH THE FEDERAL REPUBLIC OF GERMANY IS AN EXAMPLE OF ALLIED WILLINGNESS TO INCUR SUBSTANTIAL COSTS IN THE RECEPTION AND SUPPORT OF US REINFORCEMENTS; WE ARE WORKING OUT DETAILED IMPLEMENTING ARRANGEMENTS WITH SEVERAL OTHER ALLIES UNDER COMPARABLE AGREEMENTS FOR WARTIME HOST NATION SUPPORT. IN AIR DEFENSE, OUR RECENT ACCORDS WITH THE FEDERAL REPUBLIC OF GERMANY AND THE NETHERLANDS CONCERNING THE PROCUREMENT, DEPLOYMENT AND SUPPORT FO THE PATRIOT AND ROLAND MISSILE SYSTEMS IN EUROPE EXEMPLIFY COOPERATIVE BURDENSHARING TO MAINTAIN ESSENTIAL ALLIED PARTICIPATION IN THE AIR DEFENSE OF EUROPE.

THEY ARE ALSO - AND I WOULD VENTURE TO SAY EVEN PRIMARILY - THERE TO HELP OURSELVES.

WE, NO MORE THAN OUR EUROPEAN ALLIES, COULD ACCEPT THE DEFEAT OF WESTERN EUROPE BY THE SOVIET UNION OR THE WARSAW PACT COMMUNIST NATIONS. ANOTHER MOST IMPORTANT POINT: WE ARE FORTUNATE THAT THE GEOGRAPHICAL REALITIES ARE SUCH AS TO MAKE EUROPE OUR FIRST LINE OF DEFENSE. THE LIKELIHOOD IS THAT AT LEAST THE INITIAL STAGES OF ANY SERIOUS CONFLICT BETWEEN NATO AND THE WARSAW PACT WOULD BE FOUGHT OUT ON EUROPEAN SOIL.

OUR EUROPEAN FRIENDS ARE ACUTELY CONSCIOUS OF THIS REALITY.

IT IS FOR THESE REASONS THAT WHAT WE DO TO ENCOURAGE GREATER BURDENSHARING SHOULD NOT RUN THE RISK OF TEARING APART THE FABRIC OF THE ALLIANCE THAT HAS SERVED US SO WELL THE PAST THIRTY FIVE YEARS. THAT IS WHY WE ARE CONCERNED ABOUT SOME OF THE PROPOSALS NOW BEING ADVANCED IN CONGRESS.

IN THE PAST TWO FISCAL YEARS THE CONGRESS, IN LARGE PART REFLECTING THE BURDENSHARING CONCERNS I HAVE REVIEWED, PLACED A CEILING ON THE NUMBER OF TROOPS THE UNITED STATES CAN STATION IN NATO EUROPEAN NATIONS ON A REGULAR BASIS. WHILE THE CEILING IN BOTH INSTANCES WAS NOT FAR BELOW THE LEVEL OF FORCES THAT HAD BEEN PLANNED, IT DID REQUIRE US TO FORGO CERTAIN IMPROVEMENTS AND MODERNIZATION THAT WE CONSIDERED IMPORTANT TO ENSURING AN ADEQUATE CONVENTIONAL FORCE CAPABILITY IN EUROPE.

THIS PAST WEEK, IN CONNECTION WITH THE FY 1985 DEFENSE AUTHORIZATION BILL, A NUMBER OF OTHER PROPOSALS WERE INTRODUCED ON THE SENATE FLOOR, MOST OF THEM DESIGNED IN ONE WAY OR ANOTHER

obviously, the United States has many potential military adversaries. I'm just going to talk about the Soviet Union and the Warsaw Pact alliance because they are the only military adversaries we have which can directly threaten the survival of the United States.

In looking at military threats we face we realize that it is not an easy thing to analyze or to calculate or to quantify. There are many, many, many ways of looking at a military threat. We can look at how much money a country devotes to its military, that is how much does it cost that country to support its defense establishment. We can also look at what kind of military equipment does it have, how is that military equipment and adversary possesses and how their forces are arrayed? We can also look at what kind of political alliances they have throughout the world that might allow them the ability to move to that part of the world and mount an attack? So rather than just sit here and show you a spending chart, what I want to do is to talk through the various ways we look at the military threats we face. Since no one way of analyzing the threat is sufficient to give us a complete picture, we look at it from all the different perspectives and then draw some conclusions about the military threat. We can then devise our strategy for dealing with the military threat.

One of the first and most obvious ways of looking at the Soviet military threat is to compare Soviet and U.S. defense spending, and NATO - Warsaw Pact defense spending. When we look at a comparison of NATO - Warsaw Pact spending over the last decade, we see that the Warsaw Pact defense, led largely by the Soviet Union, has exceeded our military spending by about 40 percent. Second, we look at military spending as a percentage of GNP. This gives us an idea of what the two countries are devoting towards their military economies compared to their civilian economies. As the chart indicates, the Soviet Union will spend roughly 17 to 19 percent of its GNP on defense by the late 1980's. That compares to about 7.5 percent for the U.S., even during the period of the Reagan military buildup. Historically, the U.S. has spent anywhere between eight and nine percent of its GNP on defense in the 1950's and in the 1960's. During the 1970's our defense efforts declined in real terms and as a percentage of GNP and as a percentage of the budget. During the 1980's we have built these figures back up, although nowhere near the levels of the 1950's and 1960's. Since these are annual figures for the Soviet Union and for the U.S., they do not show us the cumulative effect of a decade of divergent defense spending levels for the U.S. and Soviet Union. In other words, if a country is continually spending 17 percent of its GNP for military over a 10-year period, obviously that has a larger cumulative effect than just the annual slice. By the way, most military analysts claim that a country which spends roughly 25 to 30 percent of its GNP on defense is a country on a war economy.

But comparison of spending levels does not tell the whole story. Another way of looking at the comparison of military forces is to compare spending for "hardware" or military equipment -- in other words, factor out what we each devote to personnel and personnel-related costs and compare what we each spend on weapons procurements and research and development. In this category the Soviet Union has outspent us by 20 percent. The important thing to remember conceptually is that the United States military, and for the most part of the militaries of our allies, spend a far larger proportion of their defense budgets on people-related costs, whether it is military pay, military retirement, housing, training, etc., than do the Soviet and Warsaw Pact forces. The United States spends roughly 50 percent of our defense budget on personnel costs. This compares to roughly nine or ten percent on the part of the Soviet Union. Now what that means is even if we took a defense budget for the United States and the Soviet Union which were the same in dollar amounts, which incidentally they are not, the Soviets would be buying far more actual weapons -- bullets, tanks, airplanes, ships, than the U.S. They start buying weapons with the eleventh cent of every dollar. The United States doesn't start buying hardware until it gets to about the fifty-first cent of every dollar spent on defense.

Yet another way of looking at the military threat we face is to examine the quantity of weapons each country produces annually. In almost every category of major weapons, whether it's tanks, or armored vehicles or artillery and rocket launchers, etc., the Soviet Union and its allies have outproduced the U.S. and our allies.

Another way of comparing weapons production levels is to look at the annual weapons production of the U.S. and Soviet Union. This next chart shows the production ratios of several major categories of weapons. Since it is an annual output measure, it does not show the cumulative effect of the divergent production levels. For example, the Soviet Union produces roughly 2300 tanks a year while last year we produced 720. Obviously, this disparity compounds over time. But whether it's tanks or armored vehicles, rocket launchers, TAC aircraft, major surface warships, submarines, or strategic submarines, the Soviet Union outproduces us in almost every category of major weapons.

While it is useful to compare quantities of weapons production, it is not the only way of looking at relative military forces. For example, what this chart fails to factor in is the qualitative differences between the weapons of the U.S. and Soviet Union. In other words, a quantitative comparison just shows us how many tanks are rolling off the assembly line in each year, it doesn't show us how good that tank is, how capable it is, what kind of

weather conditions it can fight in, or how fast it can go. It certainly doesn't give us any information about how well trained the respective tank crews are in each case. What it does show is the relative production levels of major categories of weapons in any given year.

In the next chart we try to analyze how Soviet military forces might be employed throughout the world, to look at where their forces are able to travel to, and how they might employ the equipment and forces they have built. In considering the Soviet threat in the geographic context, we must remember that it is basically a land-locked country. Where the Soviet Union borders on the sea, it is mostly in areas that are frozen for part of the year. The United States on the other hand, has major oceans to the east and the west and friendly neighbors to the north and the south. Now what this has meant for us over a 200-year period is that our maritime capabilities are extremely important. We need to be able to move military equipment and personnel to the scene of the battle. And in order we must have the transit equipment, the cargo airplanes and ships.

Let's assume for the moment we're talking about a potential war in Europe. The United States would need a strong maritime capability to transit the Atlantic to resupply our forces in Europe. The Soviet Union, on the other hand, could resupply across land. They do not need aircraft or ships to move supplies to a central front in Europe. But then one might well ask why are they building a big navy? I don't know. The purpose of this discussion is not to guess Soviet intentions, it's just to look at Soviet military capabilities. Up until the 1970's, the Soviet navy consisted primarily of a coastal defense force. In other words, it was a navy designed to protect the Soviet Union, say in this area or in that area, from any kind of attack by sea. In the last decade or so they have built up what we call a blue water navy, in other words a naval capability that is able to transit anywhere in the world. For example their Pacific fleet -- only one of their several fleets -- is based in Vladivostock and has about 800 ships, all of which are capable of going across the ocean. Now this compares to what our goal of 600 ship fleet for our entire navy by the end of the decade. What this chart demonstrates is that the Soviet Union now has the maritime capability to move just about anywhere in the world.

In summing up the Soviet threat, we conclude that they have undertaken a major quantitative and qualitative buildup in their weapons and equipment over at least the last 10 years. Secondly, the buildup has been most apparent in their strategic nuclear forces, particularly their ICBM force. Third, as they've gotten this new equipment and increased size of their forces, they've started seeing their military as no longer only a defensive force, but a force which also has offensive capabilities.

For example, if you read the U.S. Army field manuals you would know that we emphasize a defensive use of force. Our forces are trained to fight defensively to respond to attack, not to initiate attack. If you took the equivalent Soviet Army field manual it would not tell you to wait until you were attacked, it would talk about seizing the offensive and seizing the initiative in a combat situation. Another thing we have observed is that their military training exercises have changed in nature over the last decade or so. For example, in the most recent Soviet naval exercises in the Atlantic, they did not disposition themselves to defend the Soviet Mother Land. They moved out into the middle of the Atlantic and put themselves into a posture where they could have attacked American convoy vessels moving across the Atlantic. So their training exercises now have an offensive element which was not present a decade ago. Finally, the Soviet Union has over the last decade, expanded into areas of the world where they had not had political or political military relationships before.

While the Soviets are not the cause of all the world's problems, they have attempted to exploit countries in the Third World which, because of political or economical or social instabilities, provide a rich opportunity for Soviet meddling.

In light of this threat, particularly in light of the changed nature, size, disposition and capabilities of the Soviet military posture, what is the U.S. military strategy? What is our plan for achieving those national security objectives in the face of the threat we face? While our strategy has not really changed in the postwar period what we must do to carry it out has changed as the military threat we face has grown.

In the case of conventional forces our first aim is to deter attack against us. But if deterrence fails and we are attacked, we would defend ourselves. To do so we have a series of collective defense systems with our allies - NATO is the most obvious. We also forward-base our forces, in other words we have forces deployed in Europe and other parts of the world so that if an attack came we would not be defending the United States alone, or at our own borders, but rather fighting the aggressor in partnership with our allies and on their territory. Finally, we see security assistance as a way of giving our allies and friends the training and equipment they need to fight their own fights.

In the case of nuclear forces, our aim is deterrence. We don't yet have the capability to defend ourselves if deterrence fails. It's worth for a minute to think about nuclear weapons and their peculiar nature. It's the only military weapon in the history of man that we've managed to invent that we haven't managed to figure out how to defend

against. And what that does is make you think about nuclear forces in a very different way. Deterrence, or deterring an enemy from attacking us becomes absolutely critical, because if deterrence of nuclear war fails we have no defense against nuclear weapons. Since deterrence rests on a balance of forces, it becomes absolutely critical to maintain a military balance between the respective nuclear forces of the United States and the Soviet Union. That is why it is so important for us to modernize our strategic forces -- to balance the tremendous buildup the Soviets have done to their strategic forces over the past 10 to 15 years. At the same time, we are relooking at the whole area of defense against nuclear weapons, and are engaged in a long-term research program to see if we could possibly develop a defense against ballistic missiles, what we call the President's Strategic Defense Initiative.

Once we set a strategy for countering the military threat we face, we then have to look at our forces to determine whether we have the kind of forces necessary to carry out that strategy. And what happened by the end of the decade of the 1970's was that the ability of the United States forces to deter against attack and to defend against attack was coming increasingly under question. This was as a result of the fact that during the entire decade of the 70's, U.S. defense spending had declined by about 20 percent in real terms. Now anybody who has to deal with a budget understands that if your budget is declining annually, and in some cases as much as 10 percent, you are eating away at inventory, cutting corners and not repairing or replacing equipment.

And that's exactly what happened to our forces during the 1970's. The size of the force remained roughly the same but the training, the quality of people we were getting, the kind of military equipment, our ability to repair that military equipment all had declined, so that on paper it looked like we had a very good military force but in fact it had very serious problems. When one adds to this the fact of the increased Soviet capabilities, our ability to carry out the strategy was coming increasingly under question. By the late 1970's more and more Americans came to recognize that there were serious problems with our defenses. To deal with this problem, in 1979, Senator Tower and Senator Jackson took steps to begin the rearming of America. They increased defense budgets in the late 1970's early 1980's and targeted monies for certain areas where our forces had particular problems. President Reagan ran and was elected on a platform of revitalizing the defensive posture of the United States. And that's the course we've basically been embarked on for the last four years.

Now that we have talked about the Nation's security objectives and the military threat we face, and the strategy to meet that threat, we finally got down to matching it up with what kind of forces we need. The major ways of looking at a military force structure are first, the force structure itself. How big is your military force? Do you have an army, navy, air force? Secondly, what kind of military equipment do you have? Is it modern enough to deal with the threat? Do we have the right kind of ground, air, sea and nuclear forces? Third, are the forces able to get to an area of conflict quickly? Finally, once there, are our forces able to sustain conflict for as long as they need to? These are the major areas where we have seen significant improvements in the last four years. The first -- the force structure -- the size and composition of our forces, has not changed much. What we did change was the kind of equipment our forces have. Since we had not modernized our forces in the 1970's this is a critical element by the 1980's, because the Soviet Union had modernized its own forces. Soviet forces had traditionally enjoyed a quantitative superiority; more people in uniform, and greater amounts of equipment. We have traditionally possessed more capable people and equipment, which has allowed us to offset superior Soviet numbers with superior quality U.S. equipment. In other words, the Soviet military is superior in numbers and we have traditionally offset it with superior quality equipment. Now if we lose that qualitative edge, and the Soviets achieve the same level of technology, then obviously their numbers' advantage becomes the deciding factor. Our qualitative edge had slipped by the late 1970's, so we needed to regain it in the 1980's. For the last four years we have been bent upon modernizing our ground, air, sea and strategic forces. We also had to improve the readiness of our forces. We improved the training for our forces and recruited and retained the best quality of people. We also improved the sustainability of our forces -- the ability to keep fighting. Both of these areas had declined precipitiously by the late 1970's. So for example, in the area of sustainability, our forces had enough bullets and ammunition to sustain conflicts in some cases for a week or so. This is compared with the Soviet ability to sustain combat for 30 to 60 days. Now no matter how good your people are and how good the equipment is you're not in very shape if you run out of bullets by the eighth day of the war. So these two have been areas where we have also put a significant amount of resources.

I have tried to sketch a few of the key areas where we had problems and where we made improvements. A lot of money has been spent over the last four years, and we all know it, but the good news is we have gotten things for it and we've seen a dramatic improvement in our military forces. Again, the readiness category of our forces we've increased training in almost every major category. Mobility, we have

built airplanes and ships that will allow us to get to a theater of conflict quickly. In moderning our forces, we've modernized the ground, air and sea forces simultaneously, and we've also modernized our strategic forces. What we now have is a military force that can carry out our strategy to deal with the threat that challenges our national security objectives.

NATIONAL SECURITY OBJECTIVES

- DETER ATTACK AGAINST U.S. AND ITS ALLIES AND COUNTER USE OF FORCE TO COERCE OR INTIMIDATE U.S. FRIENDS AND ALLIES
- IF ATTACKED, DENY ENEMY ITS OBJECTIVES AND BRING CONFLICT TO CONCLUSION FAVORABLE TO U.S. INTERESTS
- TO PROMOTE MUTUAL REDUCTIONS IN CONVENTIONAL AND NUCLEAR FORCES THROUGH NEGOTIATIONS AND TO DISCOURAGE FURTHER PROLIFERATION OF NUCLEAR WEAPONS
- TO INHIBIT FURTHER SOVIET EXPANSION AND TO INDUCE WITHDRAWAL BY THE SOVIET UNION FROM THOSE COUNTRIES IT OCCUPIES BY FORCE
- TO JOIN WITH OUR ALLIES IN PREVENTING THE FLOW OF MILITARILY SIGNIFICANT TECHNOLOGIES AND MATERIALS TO THE SOVIET UNION

NATO WARSAW PACT COMPARISONS

OVER THE DECADE 1974-1983, THE SOVIET'S MILITARY SPENDING EXCEEDED OURS BY ABOUT 40%.

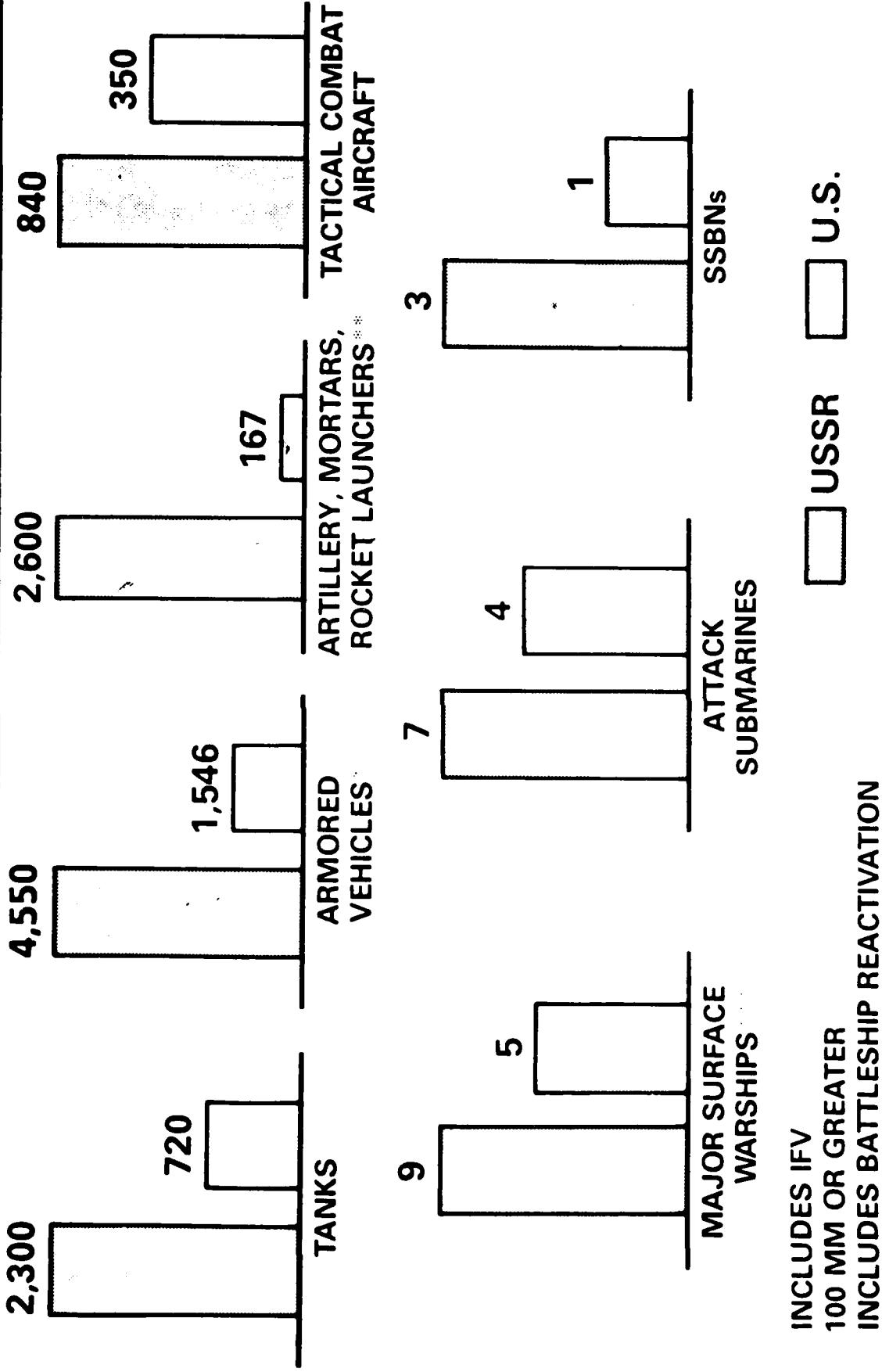
DIA (DEFENSE INTELLIGENCE AGENCY) ESTIMATES THAT SOVIET MILITARY SPENDING WILL CONSUME ABOUT 17-19% OF THEIR GNP BY THE LATE 1980'S AS COMPARED TO ABOUT 7.5% IN THE U.S.

THE PACT HAS BEEN INVESTING MORE HEAVILY IN MILITARY HARDWARE THAN THE FREE WORLD SINCE 1972. CUMULATIVELY FROM 1972 TO 1981, THEY OUTSPENT US BY ABOUT 20%.

THE PACT PRODUCTION CONTINUES TO OUTPACE NATO'S BY ALARMING RATIOS IN MOST CATEGORIES.

TANKS	1.8/1
OTHER ARMORED VEHICLES	1.9/1
ARTILLERY, MORTAR AND ROCKET LAUNCHERS	7.3/1
MILITARY HELICOPTERS	1.7/1
SURFACE-TO-AIR MISSILES	2.8/1
STRATEGIC NUCLEAR MISSILES	4.9/1
CRUISE MISSILES	0.6/1

A COMPARISON OF AVERAGE ANNUAL SOVIET PRODUCTION AND FY 1985 U.S. REQUESTS



SOVIET GLOBAL POWER PROJECTIONS



THE SOVIET THREAT

EXPANSION OF SOVIET MILITARY POWER

- QUANTITATIVE AND QUALITATIVE INCREASES IN WEAPONS AND EQUIPMENT
- BUILDUP OF STRATEGIC NUCLEAR FORCES
- OFFENSIVE NATURE OF DOCTRINE AND MILITARY CAPABILITIES
- GLOBAL EXPANSION

THIRD WORLD INSTABILITIES

- GRENADA – SOVIET MADE WEAPONS, EQUIPMENT AND DOCUMENTS
- LEBANON – SOVIET BACKED AND EQUIPPED SYRIAN FORCES
- AFGHANISTAN, ANGOLA, ETHIOPIA, KAMPUCHEA, AND NICARAGUA – SOVIET TROOPS OR SOVIET PROXIES ARE SOURCE OF CONFLICT

STRATEGY TO MEET THE THREAT

STRENGTHENING DETERRENCE WHILE WORKING FOR ARMS REDUCTION

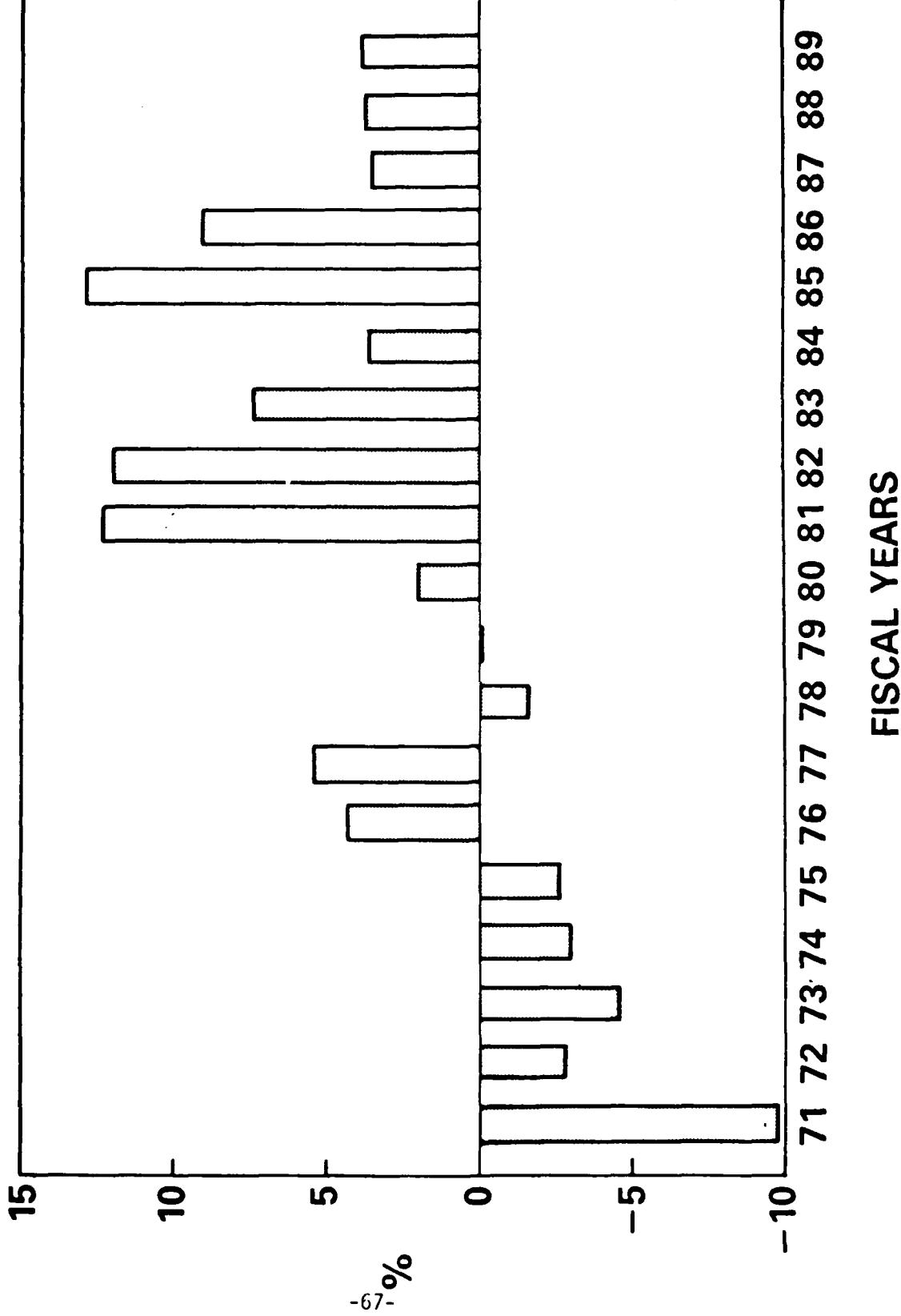
- CONVENTIONAL DETERRENCE:

- COLLECTIVE DEFENSE
- FORWARD-BASED FORCES
- SECURITY ASSISTANCE

- NUCLEAR DETERRENCE:

- MULTIPLICITY OF RETALIATORY STRATEGIC FORCES – A TRIAD OF LAND-BASED ICBMs, SMALL MISSILES MANNED BOMBERS, AND SUBMARINE-LAUNCHED BALLISTIC MISSILES.
- RESPONSIVE AND SURVIVABLE COMMAND, CONTROL, AND COMMUNICATION SYSTEM.
- STRATEGIC DEFENSE OPTION FOR THE FUTURE.

REAL GROWTH IN DEFENSE BUDGET AUTHORITY



with the exception of Maine, rank very highly. It would be surprising to most people, I think, to learn that Connecticut now has the highest defense spending per capita, if you take both direct and indirect spending into account.

If Congress approves the five-year defense plan the President has proposed, or one that largely resembles it, it will not be the Sunbelt states that grow most rapidly in terms of defense expenditures, but states usually classified in the "Snowbelt"! In fact, as Figure 4 shows, the states that are predicted to enjoy above average growth include those that one might call the industrial heartland: the upper Midwest plus most of New England. If these states are as competitive in the future as they have been in the past, they will enjoy the highest rate of growth in defense spending. If you think about it for a moment, that's not terribly surprising, because these are also the states with a great deal of the nation's industrial capacity. When you look at our defense budget, as I expect Larry Korb told you this morning, the largest increases are in the procurement accounts: investments in weapon systems, and in parts and munitions.

Now let me turn to the third concern that has been expressed about the defense budget and its effect on the economy: that it is somehow overly concentrated in certain labor skills, particularly the scientific and technical skills. Figure 5 does indicate that we will account for a significant proportion of anticipated demand for technical personnel over the rest of this decade. (1989 is as far as our data base goes; again, the projections assume the Congress approves the President's defense budget,) or one closely resembling it. We account for 11 percent of the increased demand for technical labor that will occur over that period of time.

But it's also important to note that it is demand for craft and assembly workers that is growing most rapidly as far as defense is concerned. If these projections prove accurate, defense will account for something like 14 percent of the growth in demand for craft workers, and for 17 percent of the growth in demand for assembly workers. Once more, that's not a terribly surprising conclusion. It reflects the trends shown in the first three figures: The bulk of our demands are for manufactured products. We buy things that factories make. That is simply a reflection of the priorities that are embedded in the defense budget.

four years down the road - will win those competitions. But what we can do is forecast, based on historical patterns, how well each state or any particular region of the country is likely to do on average, assuming they are as competitive in the future for any particular commodity or product as they have been in the past.

These estimates are really benchmarks. They are expectations. They predict what will happen if the future is like the past. That's a favorite way for economists to figure out what is going to happen next: they hope that not that much changes rapidly.

At the request of a number of members, and mandated specifically by the FY 1984 Military Construction Appropriations Bill, we're about to send to the Congress a report that details these findings. What you see when you do all of these calculations - not just where prime contracts are awarded; not just where troops are stationed or civilians employed - is a very different picture from the common perceptions on this issue.

There is great variability in who gets how much of the defense budget. No one would seriously argue, I hope, that the defense budget should be allocated on a "fair shares" basis. The people who get the business ought to be those who are prepared to undertake it at the most economical price. Thus, the distribution of defense contracts will reflect the country's overall economic structure. As a result, defense spending is not concentrated in just in one or two sections of the country.

In fact, if you look at the nine census regions, you find only two without at least one state above the average in defense spending per capita and another below the average. The only two regions where that's not true - where all the states are below the average are the Mid-Atlantic region (New York, New Jersey, and Pennsylvania) and the East South Central region (perhaps a surprise for advocates of the Sunbelt hypothesis, because this region includes Alabama, Kentucky, Mississippi, and Tennessee). In every other census region of the country, you have states above the average as well as states below the average.

What is little appreciated is that New England is right up there with the Pacific region in terms of total defense spending per capita. All the New England states,

some of the electric and electronic equipment industries. But the remaining half is spread over almost 400 sectors of the economy. We account for a relatively small share of the output of those sectors.

Thus far, I've focused on direct demands. If you look at indirect demands - that is to say, the parts and the materials that go into the goods we buy - defense's modest effect on the nation's economy is even clearer. Figure 3 uses the same year, 1985, and compares our indirect demands with gross output, which is the analogous measure for the U.S. economy as a whole. You see there is a similarity between the intermediate products we buy and those that are produced for the economy as a whole. Manufactures again dominate our purchases. They constitute just under half of our total indirect demands, versus a bit less than a quarter for the civilian economy as a whole. But it's a much more similar picture - defense versus nondefense - at that level.

Let me turn to the second of the charges: that defense expenditures are disproportionately focused in a few states, in particular the so-called Sunbelt states. Part of the problem, I should admit, is the Department's own. In the past, we have not published very complete data on the regional breakdown of defense spending. Perhaps somewhat naively, we did not think that they were all that interesting. We tended only to publish data on where troops are stationed, where our civilian employees are located, where our prime contracts go. But, of course, that omits a great deal of the story. It omits all of the secondary effects of defense spending - the parts that prime contractors buy from other firms, and all of the other materials that go into defense production. As anyone who has watched the defense business sector can testify, those are areas of great activity. For every dollar we spend, several more dollars are spent on indirect purchases.

The Department has moved over the last two or three years to try to present a more complete picture of the distribution of its expenditures. We cannot, of course, forecast who is going to get which contract. That would be improper, because we are being encouraged - not only by our Secretary, but also by the Congress - to award as many contracts as possible under competitive conditions. And so the winner of a contract will be the person who turns in the best bid. We cannot forecast who - two or three or

that you and I buy, investments by the business community, and the goods and services purchased by federal agencies other than DoD. When you look at this kind of chart, you do see a distinct difference between the kinds of goods and services the Defense Department purchases and the kinds of goods and services that are characteristically purchased in the economy at large. What you see is that about three-fourths of our spending is in manufacturing industries. In contrast, only something like one-fifth of the final demands in the civilian economy are from manufacturing. As has often been remarked in popular articles, the economy at large is becoming a services economy. Something like three dollars in five are spent on services. That's in contrast to one dollar in six in the case of defense. (Remember, of course, that I have omitted from these charts expenditures for pay, which account for 37 percent of DoD's spending.)

But when you look at the proportion of output that our demands represent in these industries (Figure 2), only in the industrial group marked "armaments" - and that's no great surprise - does defense account for a significant share of output. Even in the case of electric and electronic equipment, which, as you may recall from the prior figure, is the largest sector of defense demand, we represent just about 20 percent of that industry's business in the United States as a whole. So, except for armaments, defense demands are not that big a factor in the American economy.

That should not be a startling conclusion, because the defense budget - although it's large in absolute terms, although it's a large fraction of the federal budget - is still a relatively small fraction of the gross national product. You might worry about armaments, but armaments is an industry whose capacity to some extent we manage directly. We do so through our negotiations with contractors, and through the planning process we go through in preparing the defense budget in the first place. We don't tend to ask for things that we know American industry cannot produce in the short run. If we're going to ask for more of something for which capacity does not presently exist, then we make explicit provisions for the addition of that capacity.

If you look at the economy as a whole, it is true that about one-half of our demands occur in approximately 20 industries. That includes the armaments industry plus

truth to that charge - that defense spending is unduly concentrated in only a few industries and that we'll run into bottlenecks of some kind in this defense buildup? A handful! How many think that's false? How many have no opinion? Well that's the group I'm aiming at this afternoon!

The second charge is that defense spending is geographically unfair: that it is concentrated in a few regions of the country - in particular, in the Sunbelt. How many believe that defense spending is unduly concentrated in the Sunbelt states? A handful. How many think that's not true? How many have no opinion yet? This one I'll have an easy time with.

The third charge that we have heard is that defense production is concentrated in just a few skills, just a small number of labor groups - in particular, the technical and scientific skills. It is therefore alleged that the kind of defense spending being proposed, because it will sop up so much of that talent, will somehow slow down the nation's productivity growth, and have unfortunate effects on our future. Moreover, since these tend to be highly paid jobs, it is further alleged that the job-creating effects of defense spending - which is not the reason we should undertake it in the first place, but is always a matter of concern, particularly on the Hill - will be rather modest compared with other ways we might use federal funds. How many believe defense is an area in which most of the jobs are concentrated in just a few skills, particularly the scientific ones? Nobody believes that! Well this is going to be really easy! How many think that's not the case? And our no opinion group? Clearly, I have an easy afternoon ahead of me!

Let me nonetheless present the evidence against these propositions, because this is what I have been asked to discuss, and then we can deal with your other concerns.

As I indicated, the first allegation is that defense spending is concentrated in only a small number of industries. And at first glance, that might appear to be true. What we have in Figure 1 is a comparison of defense and nondefense final demands. For defense, this means the goods and services that DoD purchases directly, but it excludes pay. (In fiscal year 1985, pay will account for 37 percent of defense spending.) The final demands of the nondefense portion of the economy include all the things

The issue is perhaps a bit more complicated than it is for some other kinds of public goods, because the defense benefits we receive in any given year reflect both the payments we make during that year (for operating costs, training, forces deployed overseas) and payments we made in prior years. Those costs - in some cases paid by a prior generation of taxpayers - covered research and development for the weapons systems we use today or paid for the physical plant, the buildings and facilities that we use now. So when we come to debate any given year's defense budget, we're debating not only how much we're going to spend on current services (the day-to-day operating costs of the Defense Department) but also how much we're going to invest for the future. How much should we spend on R&D? How much on new weapon systems? In making those decisions, we're deciding the future course of the nation's defenses, even though the benefits may be several years down the road - a couple decades in the case of the strategic defense initiatives that Kathy discussed.

Unfortunately, that's not how the debate on defense spending has actually proceeded in the last couple of years. We've gotten off on a tangent and have left behind what I would argue is the main issue: weighing the benefits of defense against its cost. We've been told that defense spending is unhealthy for the economy - that somehow there are adverse effects that ought to limit how much we spend on defense. A leading member of Congress recently emerged from a series of really thoughtful hearings concerned that continuing defense spending at current levels would somehow hurt the nation's economic performance over the long run. Perhaps, he worried, it would slow the rate of productivity growth and drain the civilian economy of technological innovation.

I'd like to take on just three of the specific charges that have been made, and examine with the data that we have available their truth or falsity. I recognize that in these kinds of questions there's rarely a "yes" or "no" answer. It's more a matter of how you judge the evidence that determines which side of the issue you come down on.

The first charge is that defense spending is concentrated unduly in a few sectors of the economy and that, in building up our forces, we risk bottlenecks in production, possibly leading to a new round of inflation. How many in this audience would agree that there is some

ECONOMIC EFFECTS OF DEFENSE SPENDING
BY
DAVID S. C. CHU
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 18, 1984

I'm here this afternoon as the representative of what some have called the "dismal science." I will try, however, to disprove that characterization!

You heard a great deal from the Secretary, from Larry Korb, and - just a few minutes ago - from Kathy Troia about the contents of our defense budget: about what we're buying and why we're buying it - the rationale behind the increased defense expenditures that the President has requested from the Congress. With some modest amendments, the Congress has endorsed those requests.

I'll be glad to get back to that set of issues, you like, in the question and answer period. But the organizers of your forum asked me to address a somewhat different topic: the effects of defense spending on the United States economy.

In thinking about this issue, I would argue we should go back to "first principles." At least in my judgment, the debate on the question has gotten off track, missing the main points. Defense is a "public good," to use the economist's jargon. It's something from which everyone benefits, regardless of how much they pay for it. It's therefore an essential function of a central government to provide it. And like any other public good - whether police services, or fire services, or certain types of environmental protection - how much we spend on it, how much defense we want, ought to be decided by weighing the benefits we think we get against the costs that are imposed. Costs are measured in terms of resources that we give up, either actual or potential. If the economy is not producing at full employment, then only potential resources are lost - resources that would have gone to waste in unemployment.



DAVID S.C. CHU
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
OFFICE OF THE SECRETARY OF DEFENSE

MANAGEMENT IMPROVEMENTS

CREATION OF INSPECTOR GENERAL (IG)

**AUDITS
INVESTIGATIONS**

TEN-POINT SPARE PARTS PROGRAM

**AUDITS
ADMINISTRATIVE, LEGAL, CONTRACTUAL EFFORTS**

ACQUISITION IMPROVEMENT PROGRAM (AIP)

**PROGRAM STABILITY
MULTI-YEAR PROCUREMENT
ECONOMIC PRODUCTION RATES
REALISTIC BUDGETING
IMPROVED READINESS AND SUPPORT
INCREASED COMPETITION**

**ENHANCED DECISION-MAKING PROCESS
SERVICE SECRETARIES
JCS**

REFORM '88 AND THE GRACE COMMISSION

SIGNIFICANT ACCOMPLISHMENTS (CONTINUED)

MODERNIZATION—STRATEGIC FORCES:

- WE HAVE DEPLOYED 3 TRIDENT-CLASS SUBMARINES AND FUNDED 8 MORE THROUGH FY 1984.
- WE HAVE PROCEEDED WITH DEVELOPMENT OF THE TRIDENT II MISSILE AS WE COMPLETED PROCUREMENT OF TRIDENT I MISSILES.
- PRELIMINARY WORK ON SMALL ICBM HAS BEEN FUNDED CONSISTENT WITH SCROWCRAFT COMMISSION RECOMMENDATIONS.
- WE HAVE FUNDED PROCUREMENT OF 18 B-1 BOMBERS THROUGH FY 1984.
- WE HAVE BEGUN DEPLOYMENT OF THE B-52 BOMBER FLEET FOR CRUISE MISSILE CAPABILITY.
- SIGNIFICANT PROGRESS ACCOMPLISHED IN UP-GRADING STRATEGIC COMMUNICATION AND CONTROL SYSTEMS.

SIGNIFICANT ACCOMPLISHMENTS BY THE REAGAN ADMINISTRATION

READINESS:

- AIR FORCE AIRCREW FLYING HOURS HAVE RISEN FROM 16 HOURS PER MONTH IN FY 1981 TO OVER 19 EXPECTED IN FY 1984.
- SHIP STEAMING HOURS WILL BE ALMOST 8% HIGHER IN FY 1984 THAN IN FY 1981.

MOBILITY:

AIRLIFT CAPACITY:

WE HAVE FUNDED 5 C-5 CARGO PLANES AND 22 KC-10 CARGO/TANKER AIRCRAFT.

SEALIFT CAPACITY:

WE HAVE ADDED 8 SL-7 CONTAINER SHIPS.

MODERNIZATION—CONVENTIONAL FORCES:

GROUND FORCES:

FROM FY1982-1984, WE HAVE FUNDED 2,360 M-1 ABRAMS TANKS, 1,800 BRADLEY FIGHTING VEHICLE SYSTEMS AND 466 LIGHT ARMORED VEHICLES.

TACTICAL AIR FORCES:

DURING FY 1982-1984, THE AIR FORCE HAS FUNDED 111 F-15 AND 384 F-16 FIGHTER AIRCRAFT.

NAVAL FORCES:

IN 1981, OUR DEPLOYABLE BATTLE FORCE NUMBERED 479 SHIPS. BY THE END OF FY 1984, IT WILL HAVE GROWN TO 525 SHIPS.

FY 1985 DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY BUDGET AUTHORITY & OUTLAYS (CURRENT \$ BILLIONS)

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
BUDGET AUTHORITY	178.4	213.8	239.5	258.2	291.1
% REAL GROWTH	12.5	12.1	7.5	3.7	7.8
OUTLAYS	156.1	182.9	205.0	229.0	258.6
% REAL GROWTH	4.7	7.8	7.1	7.9	7.9

REQUIREMENTS TO MEET THAT STRATEGY

FORCE STRUCTURE

MODERNIZATION:

GROUND FORCES

TACTICAL AIR FORCES

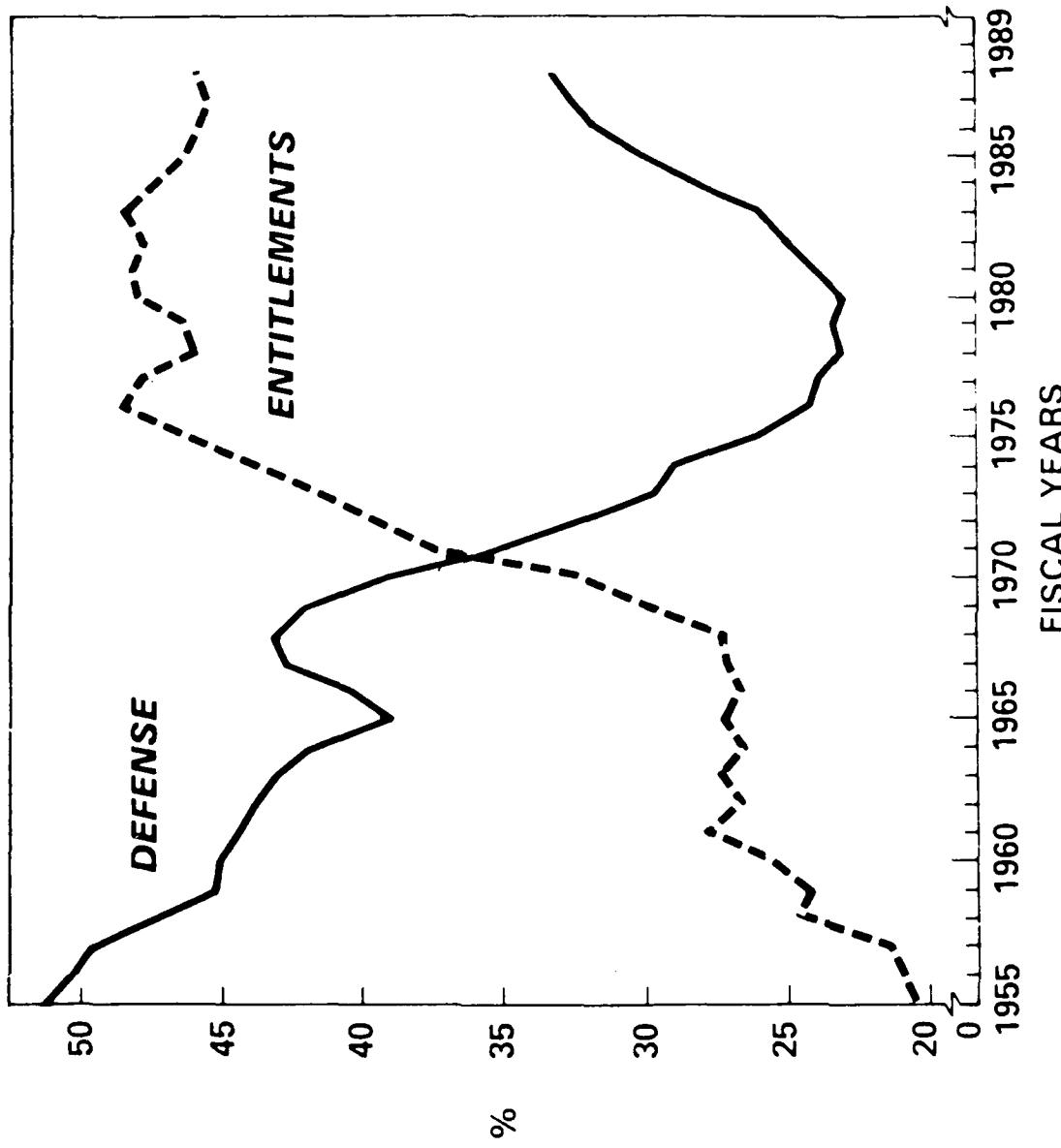
NAVAL FORCES

STRATEGIC FORCES

READINESS/SUSTAINABILITY

MOBILITY

SHARES OF THE BUDGET (OUTLAYS)



When it comes to the issue of labor demands, and the concern with technical personnel in particular, the debate has tended to focus on only one side of the problem - the demand side. There is never much discussion of the supply side - that is to say, the reaction in the marketplace to these increased demands. If there are no barriers in the marketplace, if there are no sticking points, we would expect that the supply of trained personnel would, over time, adjust to changing demands in the economy, whether they arise from defense or from other sources. The real worry one has to have is that some barrier or sticking point could prevent such a response, or that very sharp, very sudden changes in demands would be unforeseen by students and others in the nation's labor force as they go out to acquire the skills that will later prove useful in the marketplace. In short, whether changed demands will place a strain on the economy cannot be determined without looking at the supply side of the equation.

Let me turn from these specific charges to the larger issue I believe we should be considering. The overall picture I've tried to draw is that, on balance, the specific charges are not well founded. I was pleased to note that that's consistent with the views of many of you in this audience. If we had to pick a yes or no answer, I think we'd agree those charges are false.

The basic question that underlies this debate is whether there is something really different about defense spending - whether it differs from other types of federal expenditures in its economic effects. Leaving aside transfer payments, and considering just expenditures for goods and services, I would argue it does not. The purposes for which defense dollars are spent, yes, that are very different. But in terms of its economic effects, defense spending is not all that different from other government purchases of goods and services.

We can see this in the debate (which has gone on perhaps longer than it should) regarding how many jobs a dollar of defense spending generates. Now I should first say, as the Secretary invariably does in his public comments, that the number of jobs created by a dollar of defense spending is not the reason we undertake a defense program. But it is an issue that has been raised, and we have therefore had to prepare estimates in response.

The Department's estimate is shown in Figure 6. (What the figure may really be telling you is that the economists are getting rich making these estimates!) We estimate that about 35,000 jobs are created per billion dollars of defense expenditures (measured in 1982 dollars). As you can see, that figure falls in the middle of the range, depending on whose model you use. You can get a number in the 60,000 range, or you can get one as low as that from the Congressional Budget Office (20,000 jobs per billion dollars in defense expenditures). What's important is not, however, the specific number, because that's a function of whose model you use, and therefore of the assumptions you make in the process. What's important is that - when you use the same model - the numbers are no different, within the bounds of statistical confidence for these kinds of forecasts, for defense spending than they are for any other kind of federal purchases of a broad nature. So, on average, the effect on jobs of defense spending is no different from that of any other kind of federal purchase of goods and services.

Now I've stressed "goods and services" because the employment effects are quite different from those of transfer payment programs. In general, federal purchases of goods and services create more jobs than do transfer payments. That's a conclusion with which all members of the economics profession would agree, even if their specific estimates differ. After all, as Mr. Penner, the Director of the Congressional Budget Office, has remarked, it would be really extraordinary if the Air Force's spending on runways created a very different number of jobs than a highway department's expenditure on roads!

If we argue that defense spending is no different, in terms of its economic affects, what about the role of defense spending in overall macroeconomic policy? What about the use of defense spending as a tool of macroeconomic policy? Should it be something that we adjust - in response to changing economic conditions? Should we pump it up when the economy is at a low point or suppress it when the economy is running close to full employment? In trying to determine one's position on this issue, there are a couple of major points that should be kept in mind.

First, it's very costly to adjust defense spending very rapidly in the short run. For the purpose of these economic models, when we say "defense spending," we're

talking about outlays. But when we go to the Congress for appropriations, we're talking about budget authority. That fact reflects a really fundamental difference between the way we budget for defense and the way Western European governments run their defense budgets. The same distinction can be made between the Defense Department and other U.S. government agencies; we fund the programs we administer in fundamentally different ways. For example, (and President Carter tried to change this system - somewhat to his distress), we typically fund public works projects a year at a time, paying each year for the increment we are actually going to construct during that year. In Defense, we do it very differently. When we build a ship or a plane or a building, we must go to the Congress and ask for full funding of the project in the budget year in which it is started. (For some items, we are allowed to request long-lead funds, and there are some technical exceptions, but in general this is the pattern.) It means that the money we get each year is generally spent over a number of years. In the case of an aircraft carrier, for example, which takes six or seven years to build, the last of the monies may not be spent for six or seven years. In other words, those monies will not "outlay," as the technical term goes, until six or seven years into the future. That implies that a major share of the defense budget - as much as one-third, depending upon the particular period you're talking about - is "uncontrollable" in the short run from the macroeconomic policy perspective. You can't turn the spending on and off unless you intend to renege on existing contracts.

It is true that some kinds of defense expenditures can be regulated fairly easily in the short run. Operating expenses are the easiest to adjust. But then you affect the pace of training, programs, or the rate at which equipment is maintained, driving down the readiness of our forces and the equipment they operate.

If, instead, you try to turn on and off the investment accounts rapidly, you create a lot of instability. Instability, I would argue, has been the root of our cost problems in prior years.

A second kind of consideration in judging whether defense expenditures should be used as a tool of macroeconomic policy is that we don't undertake them for economic reasons. We undertake them to deal with the

threats we confront and the commitments we have made. Therefore, at least from the Department's perspective, it's against those kinds of standards that we must measure the adequacy of our defense expenditures - not against short-run economic considerations.

Before we turn to the question period, let me sum up very briefly the major points I have tried to make. First, contrary to what has been the conventional wisdom, defense spending is not concentrated in a small number of industries. It does not pose a particular problem for the economy in terms of bottlenecks. It does not go disproportionately to one or two states or to a particular region of the country. And it does not focus on just a few segments of the labor force.

Second, I would argue that the macroeconomic effects of defense spending are very much the same as those of other types of federal spending on goods and services. For this reason, I would come down very strongly against adjusting the defense budget in response to short-range economic conditions: There are much better accounts for that purpose.

This leaves us with the question we started out with: How do we weigh the benefits of the defense program that is being proposed against the cost it imposes on the economy? Obviously, that's a judgment that each individual citizen and each individual legislator must make for himself or herself. I think it's useful in coming to that judgment to keep a bit of history in perspective. Too often we look at just the last couple of years in determining whether or not a particular spending level is "about right." We need to take a longer view.

One way of judging the economic burden of defense is to measure it against the sum total of all the goods and services the country produces - the gross national product. Figure 7 traces the defense share of GNP over the period since 1950. In that year, the share was quite low. It jumped to a spike in the early 1950s, and then until the peak of the Vietnam war in the late 1960s it varied in a rather narrow range - 8 to 10 percent of GNP. What's aberrant relative to this history is that we decided in the 1970s to spend a lot less, measured against our ability to undertake such expenditures. In the last several years, especially in the early 1980s, there has been a decision to reverse that trend - to reinvest in the defense capabilities that, to some extent, we gave up or allowed to erode in the 1970s.

FIGURE 1

DEFENSE AND NON-DEFENSE
FINAL DEMAND
1985

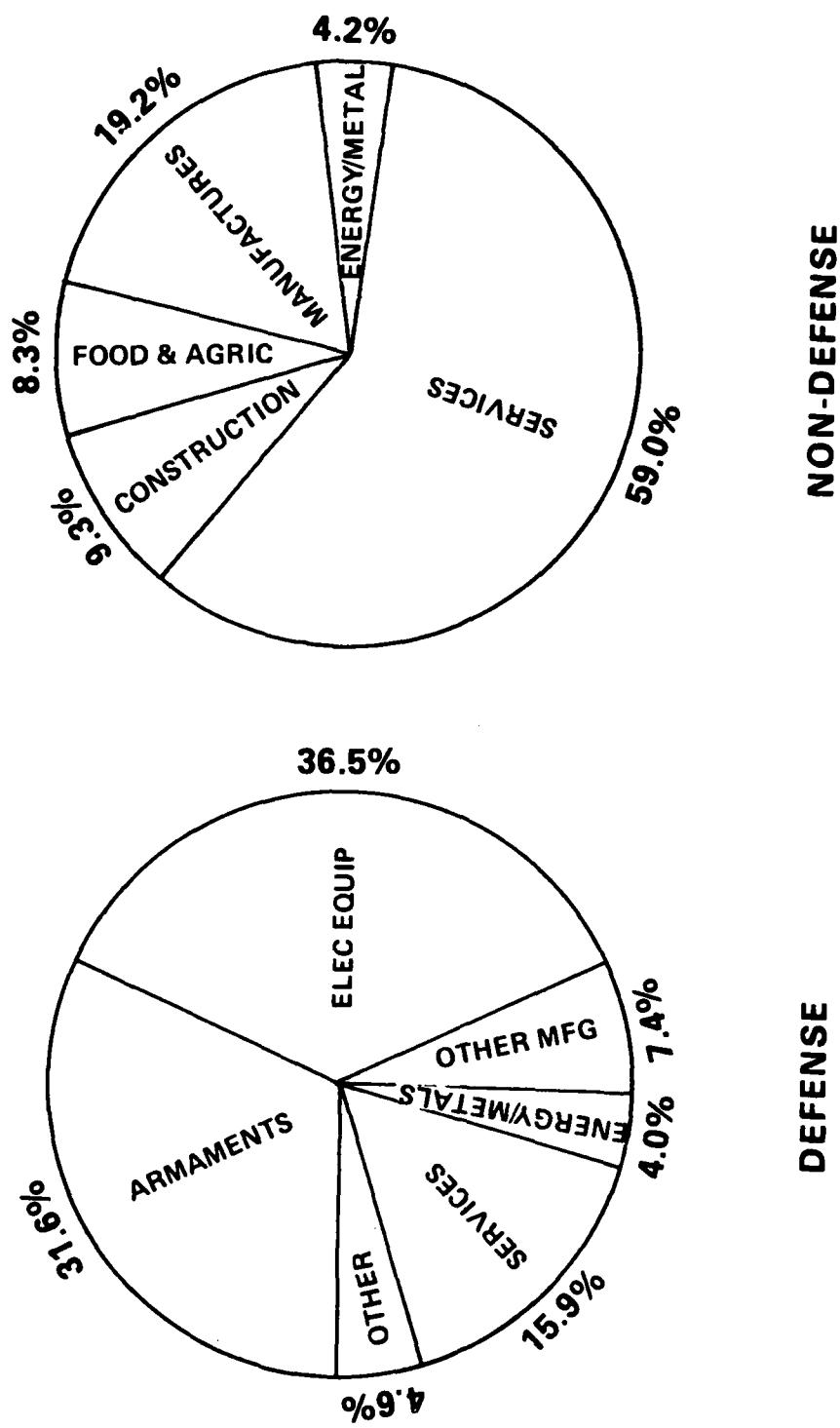


FIGURE 2
DEFENSE AND NON-DEFENSE SHARES
OF SECTOR OUTPUT
1985

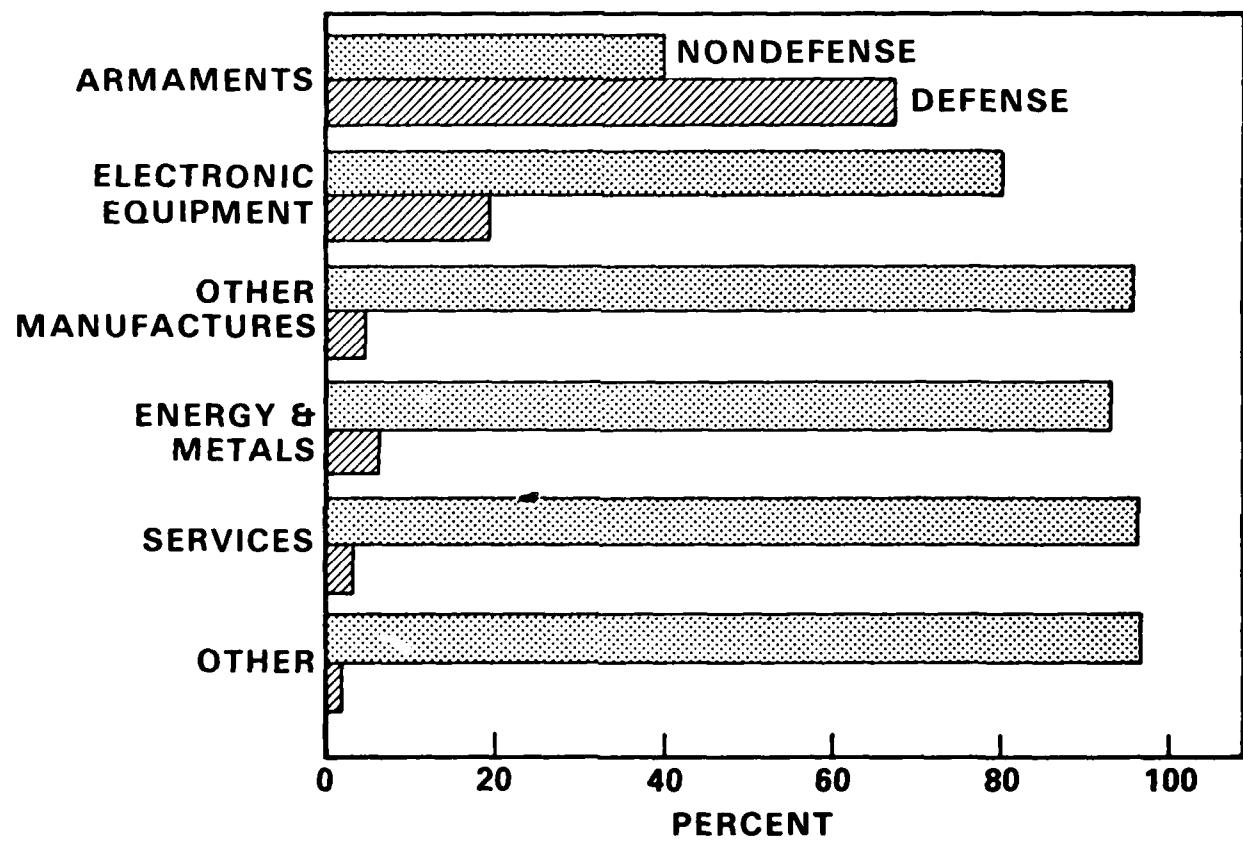


FIGURE 2
DEFENSE AND NON-DEFENSE SHARES
OF SECTOR OUTPUT
1985

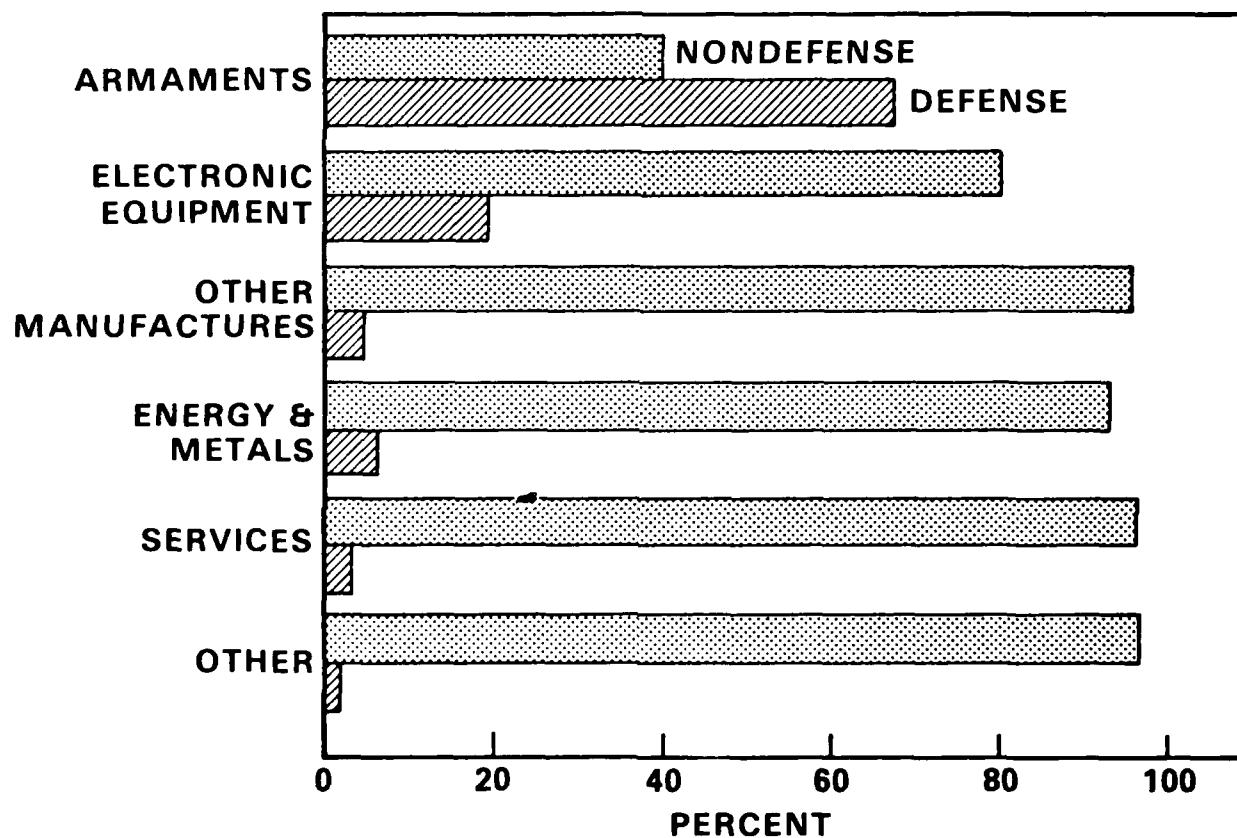


FIGURE 3

DEFENSE INDIRECT DEMANDS
AND NON-DEFENSE GROSS OUTPUT
1985

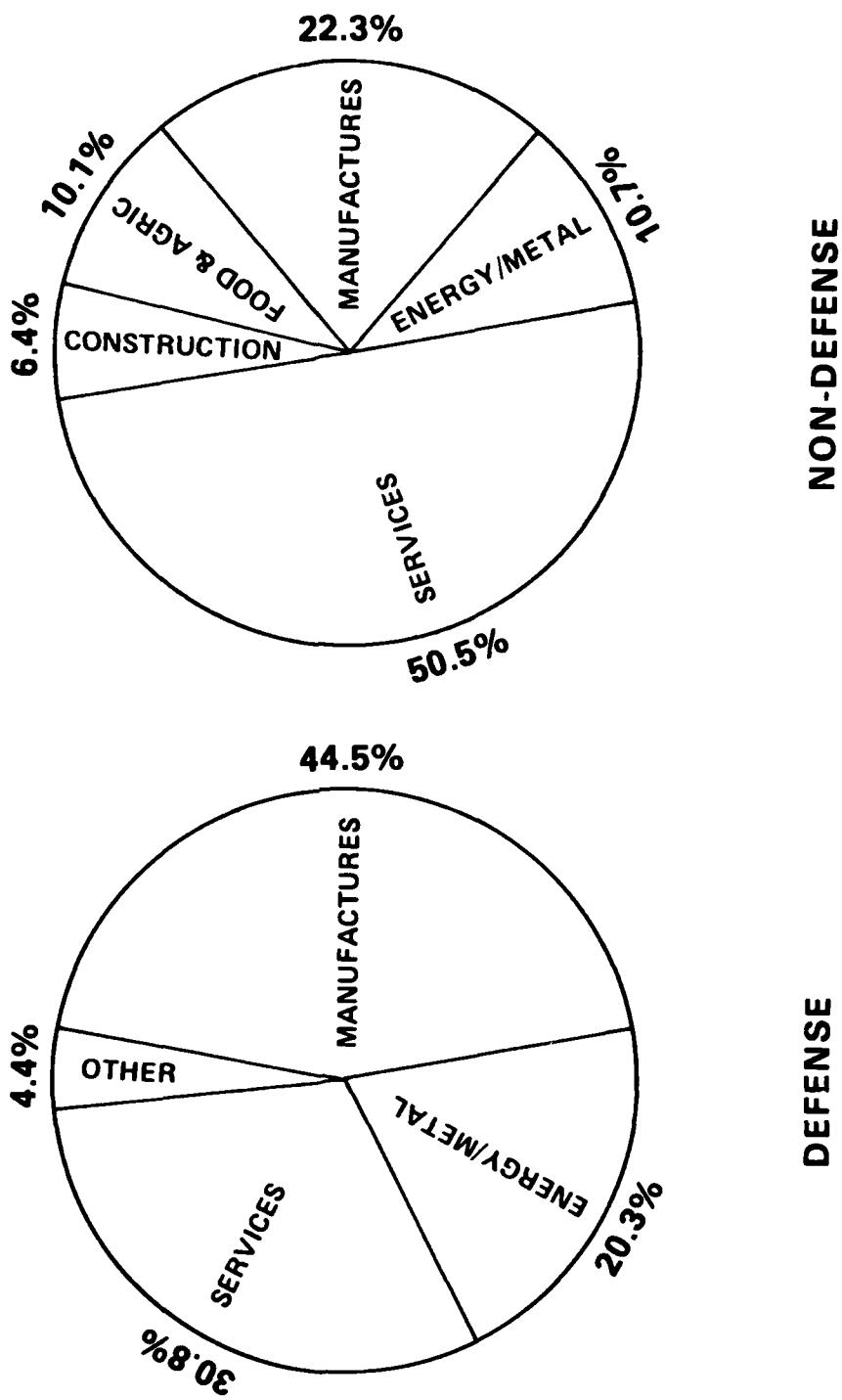


FIGURE 4
PERCENTAGE GROWTH IN PER CAPITA
TOTAL DEFENSE EXPENDITURES
1983 TO 1989

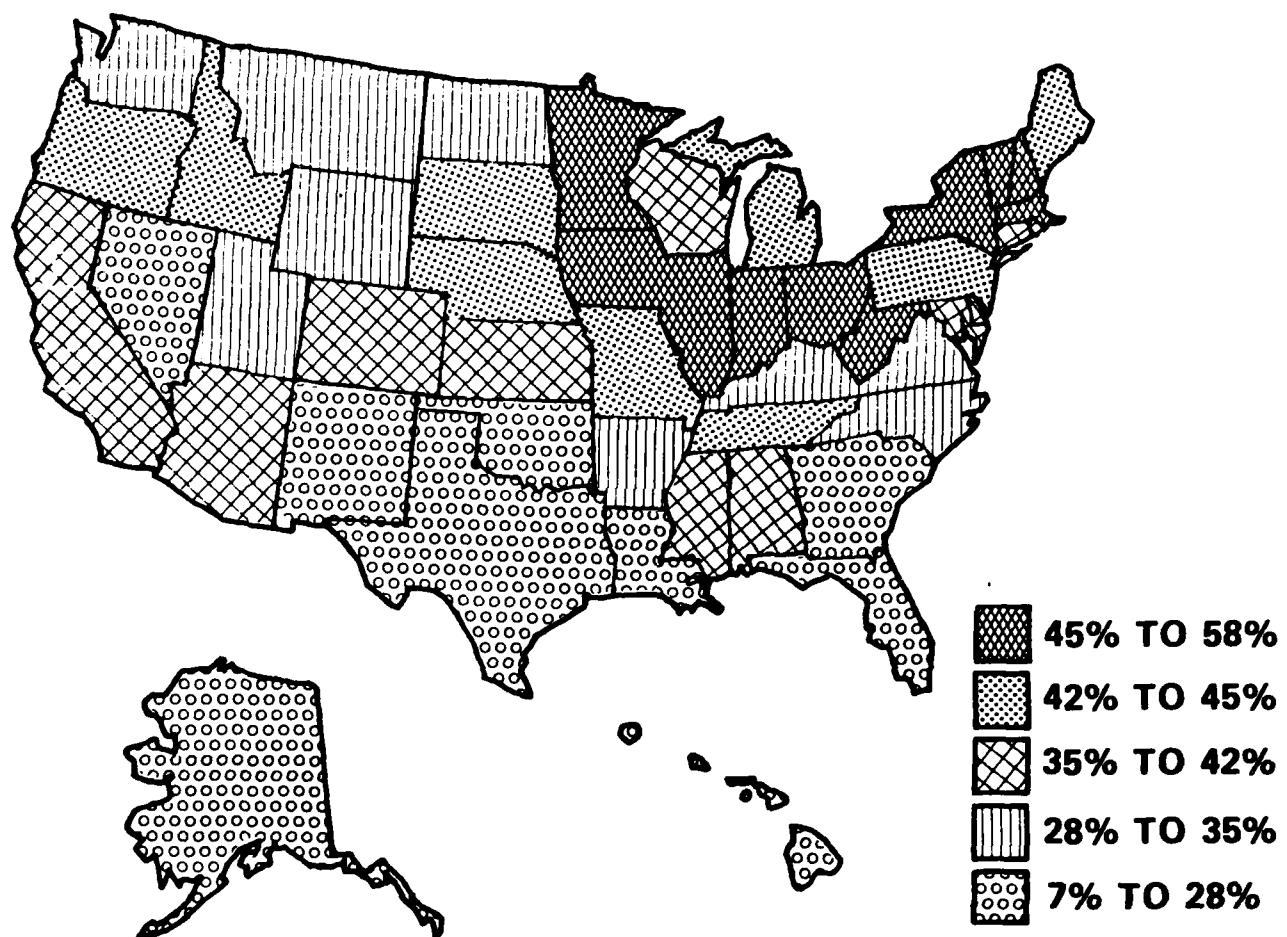


FIGURE 5

DEFENSE SHARE OF NEW EMPLOYMENT

BY SKILLED LABOR CATEGORIES

1983 TO 1989

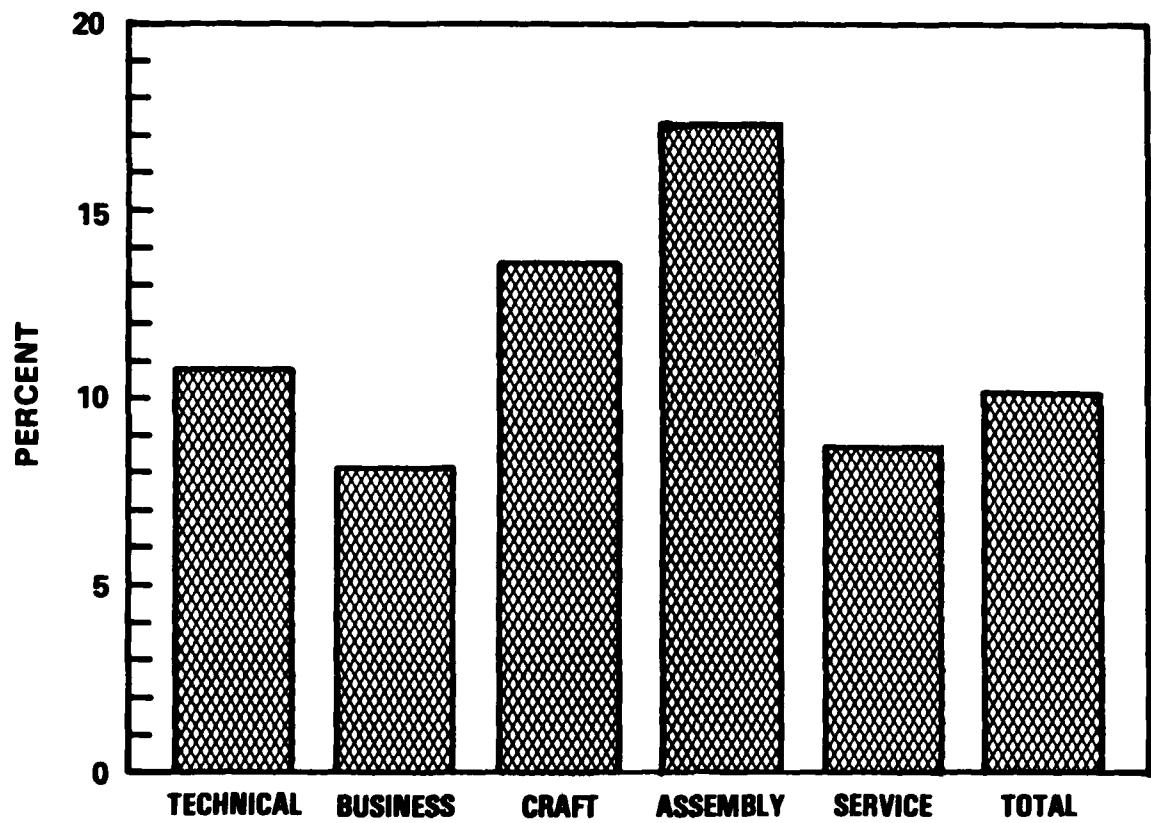
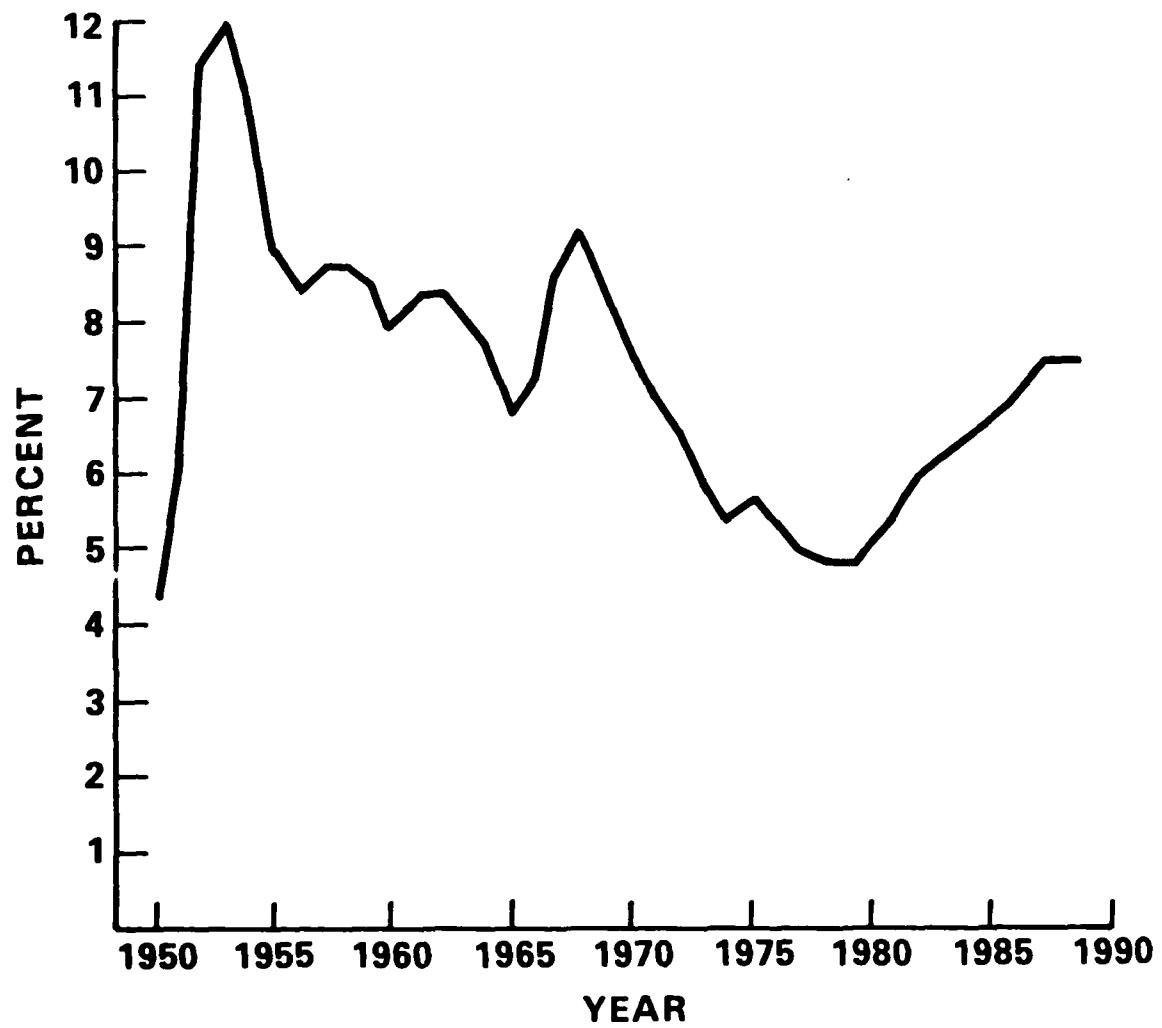


FIGURE 6
ESTIMATED INCREASE IN EMPLOYMENT
PER \$1 BILLION IN DEFENSE SPENDING
ALTERNATIVE ESTIMATES

Jobs Per Billion 1982 Dollars of DoD Outlays

CHASE ECONOMETRIC ASSOCIATES, INC.	63,000
WHARTON ECONOMETRIC FORECASTING ASSOCIATES, INC.	45,000
DEPARTMENT OF DEFENSE	35,000
DATA RESOURCES, INC.	29,000
CONGRESSIONAL BUDGET OFFICE	20,000

FIGURE 7
DEFENSE SHARE OF
GROSS NATIONAL PRODUCT





LIEUTENANT GENERAL ROBERT E. KELLEY, U.S. AIR FORCE
VICE COMMANDER
TACTICAL AIR COMMAND

IMPROVING DEFENSE MANAGEMENT
BY
LIEUTENANT GENERAL ROBERT E. KELLEY, USAF
VICE COMMANDER, TACTICAL AIR COMMAND

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 18, 1984

IMPROVING DEFENSE MANAGEMENT

THANK YOU VERY MUCH, DONNA. GOOD AFTERNOON, EVERYONE. I'M VERY PLEASED TO BE HERE. MY SUBJECT IS IMPROVING DEFENSE MANAGEMENT. I'M SURE YOU WILL ALL AGREE THAT IT'S NOT ONLY AN IMPORTANT SUBJECT, IT'S A TIMELY AND SEEMINGLY TIMELESS SUBJECT. I DON'T THINK THERE IS ANY DISAGREEMENT ABOUT THE NEED FOR IMPROVEMENT. WE ALL RECOGNIZE THE NEED AND WOULD LIKE TO SEE IMPROVEMENT IN DEFENSE MANAGEMENT -- THE REAL QUESTION IS HOW?

TACTICAL AIR COMMAND HAS CHANGED ITS WAY OF DOING BUSINESS IN THE LAST SIX YEARS AND THE STORY OF THOSE CHANGES PROVIDES AN INTERESTING CASE STUDY OF IMPROVEMENT WHICH MAY BE USEFUL IN OTHER PARTS OF THE DEFENSE DEPARTMENT, THE FEDERAL GOVERNMENT, AND EVEN THE PRIVATE SECTOR. BUT, BEFORE WE GET INTO THOSE IMPROVEMENTS, LET ME JUST QUICKLY REITERATE SOME OF THE POINTS THAT DONNA MADE RELATIVE TO TAC IN TERMS OF RESPONSIBILITIES AND RESOURCES -- A LITTLE HOW HIGH, HOW WIDE AND HOW DEEP.

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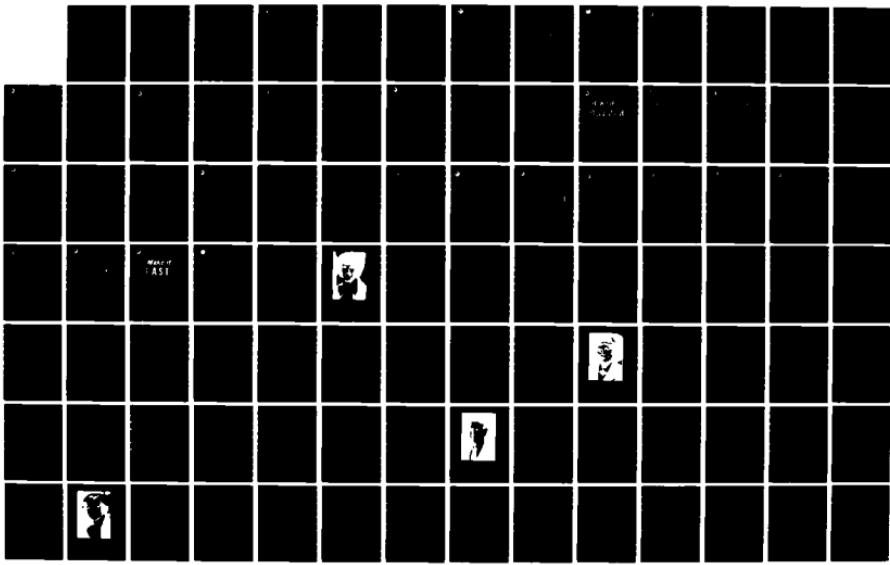
NATIONAL SECURITY FORUM FOR WOMEN THE DEFENSE BUDGET
AND NATIONAL SECURITY (U) NATIONAL DEFENSE UNIV
WASHINGTON DC 1984

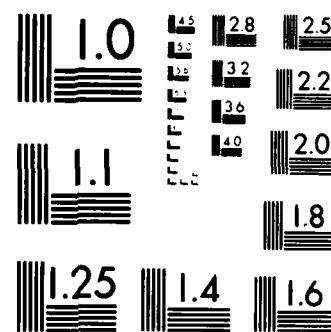
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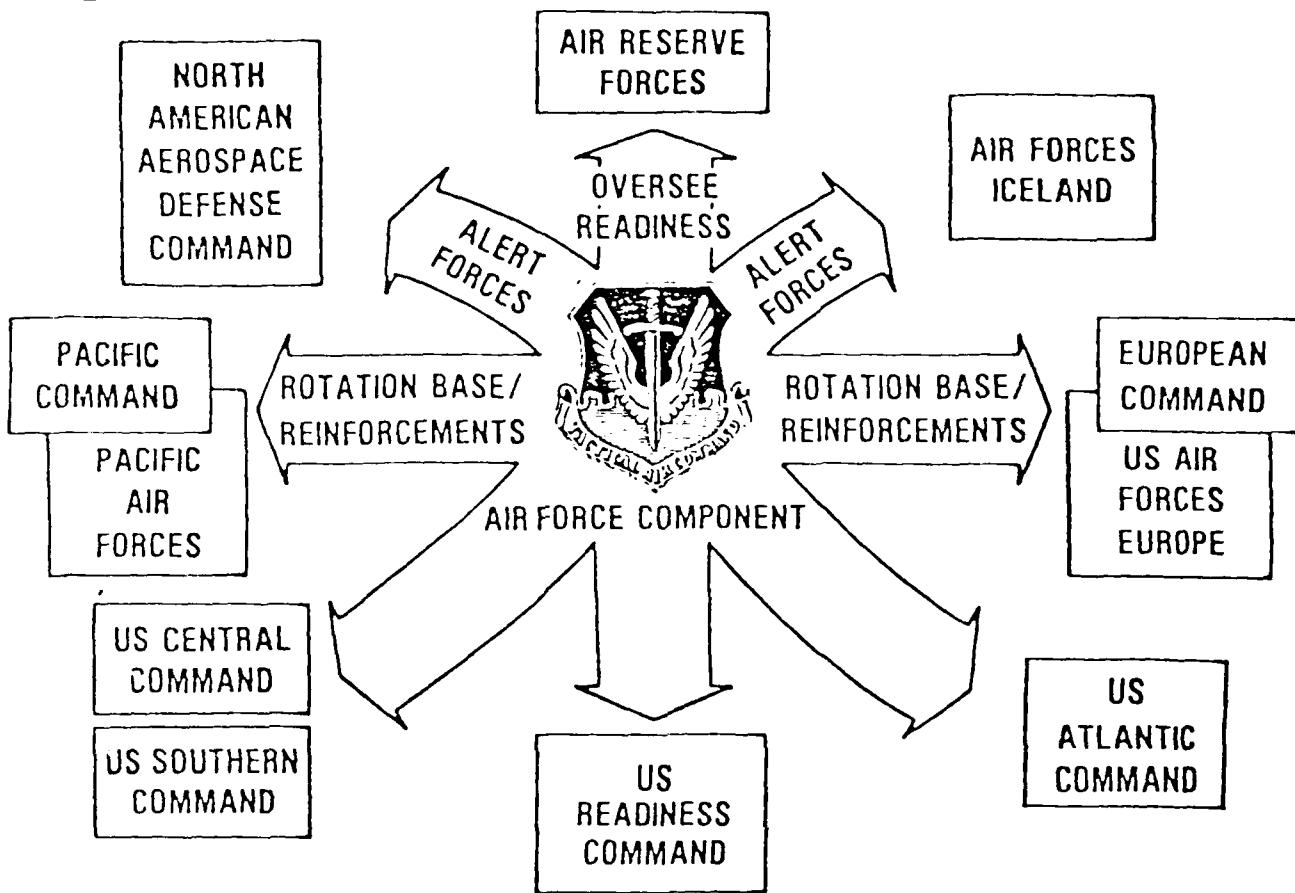
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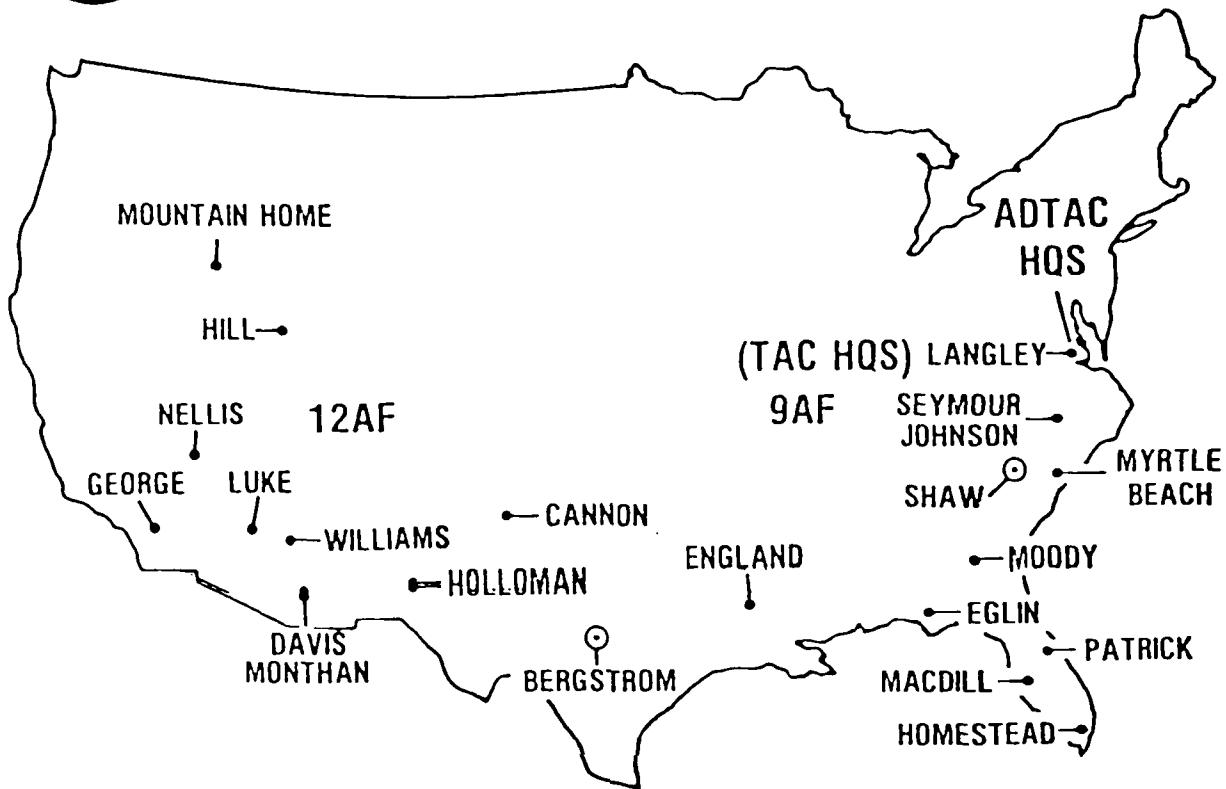
MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963 A

TAC RESPONSIBILITIES

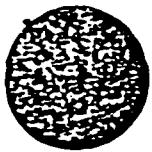


FIRST OF ALL, TAC IS THE AIR FORCE COMPONENT FOR FOUR DIFFERENT COMMANDS -- THE CENTRAL COMMAND WHICH IS INVOLVED PRIMARILY WITH SOUTHWEST ASIA, THE SOUTHERN COMMAND LOCATED IN PANAMA DIRECTLY RESPONSIBLE FOR CENTRAL AND SOUTH AMERICA, READINESS COMMAND WITH WORLDWIDE RESPONSIBILITIES, AND THE ATLANTIC COMMAND. IN ADDITION, WE DO THE TRAINING AND PROVIDE THE REINFORCEMENTS IN TIME OF WAR FOR THE PACIFIC AND EUROPEAN COMMANDS. WE HAVE FORCES ON ALERT IN THE NORTH AMERICAN DEFENSE COMMAND AND IN ICELAND.

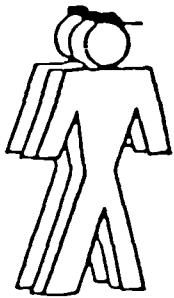
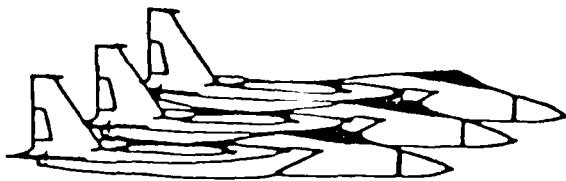
TAC BASES



TAC IS MADE UP OF TWO NUMBERED AIR FORCES SPREAD ACROSS MOST OF THE SOUTHERN PART OF UNITED STATES -- 12TH AIR FORCE IN THE WEST AND 9TH AIR FORCE IN THE EAST. TAC HEADQUARTERS IS LOCATED AT LANGLEY AIR FORCE BASE, VIRGINIA.



WHAT TAC HAS TO WORK WITH



116,195

61,958

2,339 AIRCRAFT
32 WING EQUIVALENTS

21½ FIGHTER/RECCE	3 COMMAND/CONTROL
2½ AIR DEFENSE	1 SPECIAL
4 OTHER	

1,487 AIRCRAFT

18½ WING EQUIVALENTS

14½ FIGHTER/RECCE	3 AIR DEFENSE
1 OTHER	

IN TERMS OF HOW MUCH, HOW WIDE, HOW DEEP, WE'RE BIG --
116,000 PEOPLE -- 13,000 OFFICERS -- AND OVER 2000 AIRCRAFT.
AS DONNA MENTIONED, WE GAIN OVER 60,000 PEOPLE AND ABOUT 1,500
AIRCRAFT FROM THE AIR RESERVE FORCES.



PROBLEM:

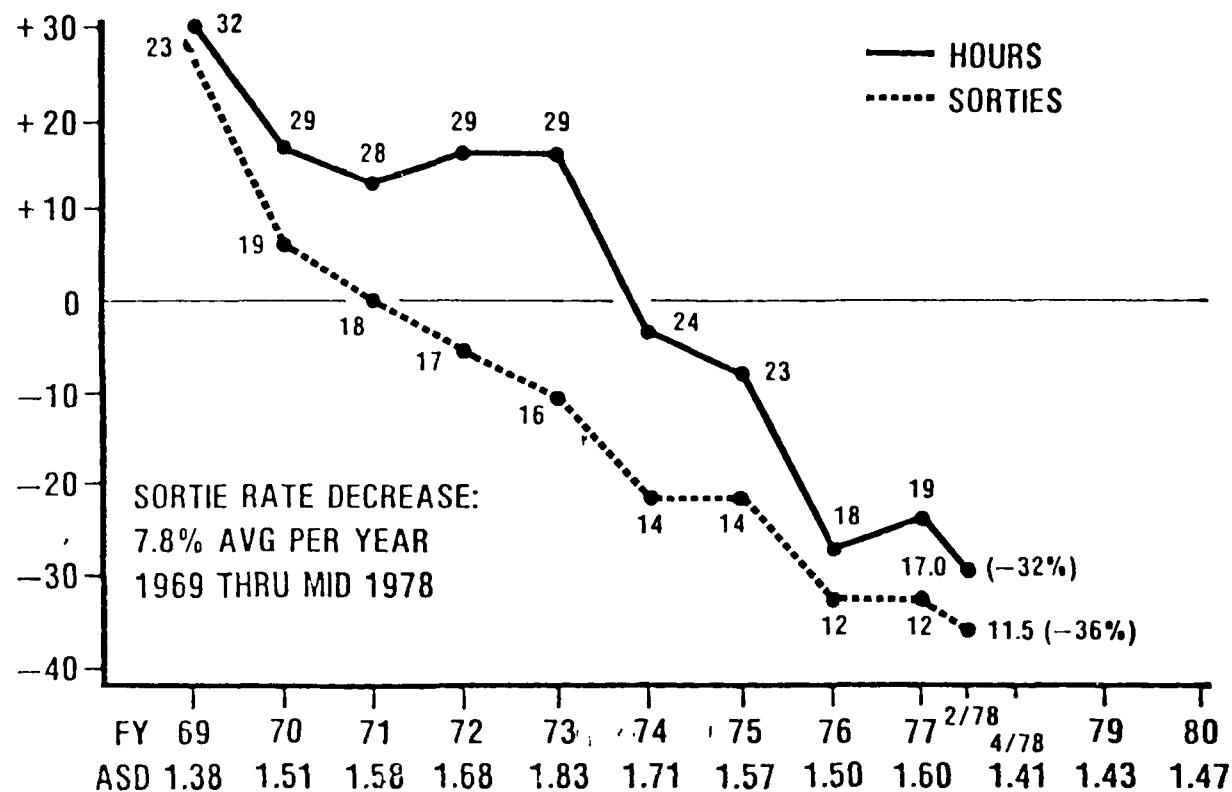
STEADY DECLINE IN SORTIE PRODUCTIVITY
OVER THE YEARS -- WITH RESULTANT
DECREASE IN AIRCREW COMBAT PROFICIENCY
AND READINESS

, THAT'S ENOUGH "WHAT." LET'S TURN TO "HOW." IN 1978, AN OFFICER WAS ASSIGNED AS COMMANDER OF TAC, WHO IS IN A SPECIAL CATEGORY -- EXCELLENT, EXTRAORDINARY -- A MAN OF VISION, KNOW-HOW, AND TREMENDOUS COURAGE. WHEN HE TOOK OVER TAC HE NOTED - HAVING WATCHED TAC FROM THE OUTSIDE - THAT WE HAD MANY PROBLEMS, BUT ONE THAT WENT DIRECTLY TO THE CORE OR ESSENCE OF OUR BUSINESS. OVER A PERIOD OF TIME, PARTICULARLY THE DECADE OF THE SEVENTIES, THERE WAS A NOTICEABLE DECREASE IN OUR PRODUCTIVITY. THIS DECREASE WAS MANIFESTED IN THE NUMBERS OF SORTIES WE WERE NOT PROVIDING OUR AIRCREWS. THIS STEADY DECLINE IN SORTIES CONTRIBUTED DIRECTLY TO A DECREASE IN READINESS AS AIRCREW COMBAT PROFICIENCY ERODED INCREMENTALLY OVER TIME.



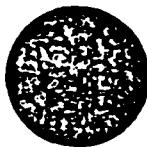
PERCENT CHANGE IN UTILIZATION RATES ALL FIGHTERS -- FY 69 THRU FY 2/78

BASELINE: 25 HOURS 18 SORTIES

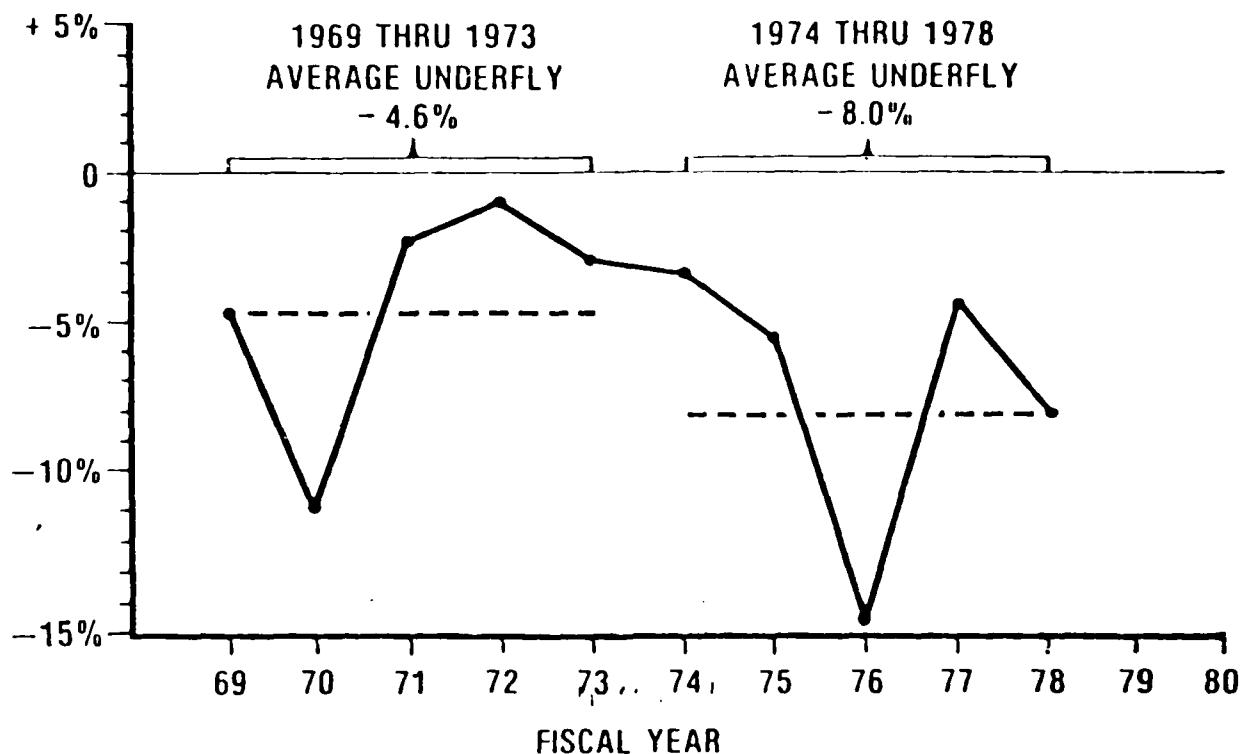


THERE WERE MANY PROBLEMS AND THOSE WHO REMEMBER THE LATE SEVENTIES, PARTICULARLY IF YOU WERE WORKING IN GOVERNMENT, WILL RECALL THE PROBLEMS WE HAD WITH RETENTION OF PILOTS AND MAINTENANCE PEOPLE. MORALE WAS NEAR ROCK BOTTOM. WELL, GENERAL CREECH SET OUT TO QUANTIFY OUR PRODUCTIVITY PROBLEM. THIS CHART SHOWS THE QUANTIFICATION OF THAT PROBLEM.

UTILIZATION RATE IS A MEASURE OF MERIT IN OUR BUSINESS WHICH IS NOT NEW; IT GOES BACK MANY, MANY YEARS. IT MEASURES HOW OFTEN YOU FLY AN AIRCRAFT PER MONTH. A SORTIE IS AN INDIVIDUAL FLIGHT. AS YOU SEE ACROSS THE BOTTOM OF THE CHART, WE LOOKED BACK QUITE A WAY -- BACK TO THE 1968-69 TIME FRAME, AND PLOTTED THE DATA IN TERMS OF BOTH HOURS AND SORTIES. ASD IS AVERAGE SORTIE DURATION IN TENTHS OF HOURS. ON THE VERTICAL AXIS IS THE PERCENT FROM A BASELINE OF 25 HOURS AND 18 SORTIES PER MONTH. WE USED THIS BASELINE BECAUSE AT ONE TIME WE PROGRAMMED FIGHTER AIRCRAFT BY THOSE FACTORS. MOREOVER, THAT BASELINE COINCIDED WITH OUR EXPERIENCE AND GUT FEEL THAT IT WAS THE NUMBER OF SORTIES NEEDED TO KEEP OUR AIRCREWS COMBAT READY. NOW, AS YOU CAN SEE ON THE CHART, THE DATA SHOWS A CONTINUAL DECREASE. WE CALLED IT THE SLIPPERY SLOPE BECAUSE IT JUST KEPT GETTING WORSE. IF YOU HEAR PEOPLE TALKING ABOUT TAC'S "SLIPPERY SLOPE," THAT'S WHAT IT'S ALL ABOUT. AS YOU CAN SEE, IT WENT FROM 30 PERCENT ABOVE TO ALMOST 35 PERCENT BELOW, OR ABOUT AN EIGHT PERCENT PER YEAR DECREASE IN PRODUCTIVITY.



PERCENT DEVIATION FROM PROGRAMMED FLYING HOURS ALL TAC FIGHTERS

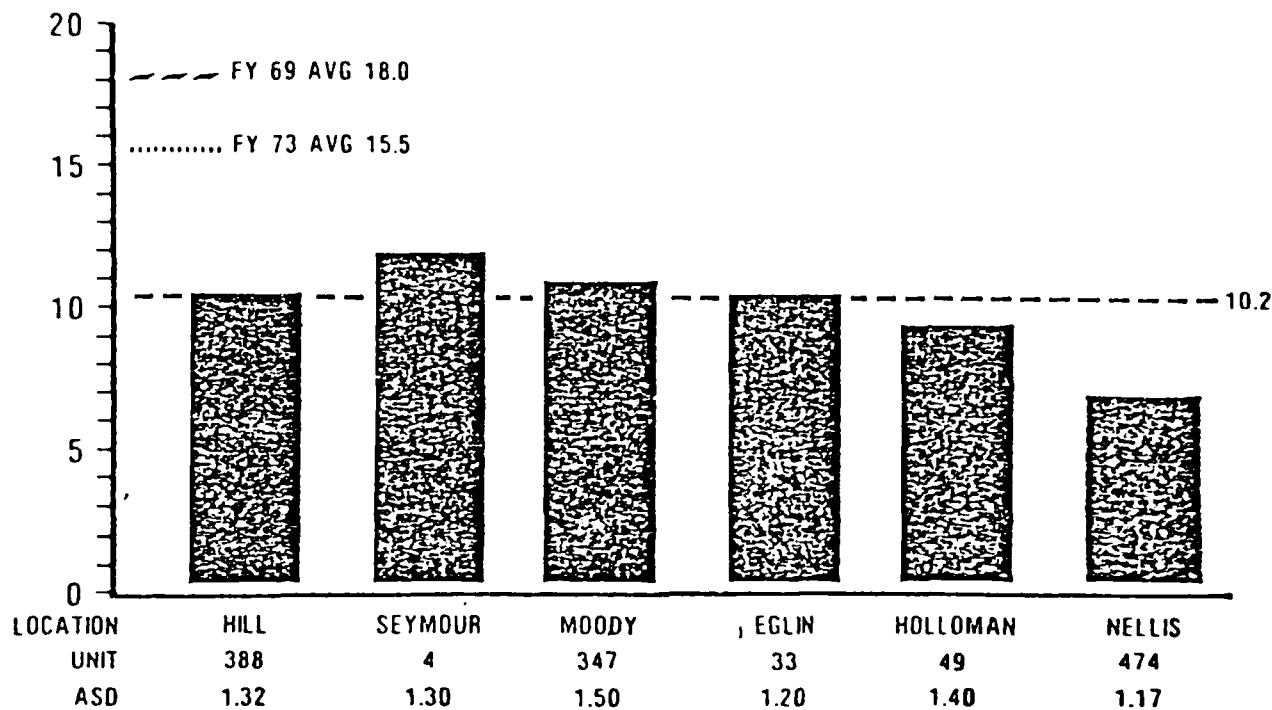


PRODUCTIVITY IS A SUBJECT OF CURRENT INTEREST AND DISCUSSION AND RIGHTLY SO, AS LOW PRODUCTIVITY BECAME ALMOST AN EPIDEMIC IN THIS COUNTRY. WE WERE SUFFERING FROM IT INSIDE THE AIR FORCE AS WELL. NOW ONE OF THE THINGS IT WAS NOT -- IT WAS NOT A LACK OF ENOUGH FLYING TIME! EVERY YEAR WE WERE AUTHORIZED ENOUGH FLYING TIME BUT WE JUST DIDN'T FLY WHAT WE WERE GIVEN. AS THE CHART SHOWS, THE UNDERFLY IN THE FIRST HALF OF THE DECADE WAS ABOUT FOUR AND ONE-HALF PERCENT. IT GOT WORSE IN THE SECOND HALF WHEN IT WAS EIGHT PERCENT. THIS CAUSED A NUMBER OF PROBLEMS. WE COULDN'T GO BACK TO THE CONGRESS AND SAY WE NEEDED MORE FLYING HOURS FOR OUR AIRCREWS BECAUSE THEY COULD SAY YOU HAVE THE TIME -- YOU JUST AREN'T FLYING WHAT WE GIVE YOU. AND THEY WOULD HAVE BEEN RIGHT!



SORTIES FLOWN PER AIRCREW PER MONTH

F-4 -- FY 3/77 THRU FY 2/78

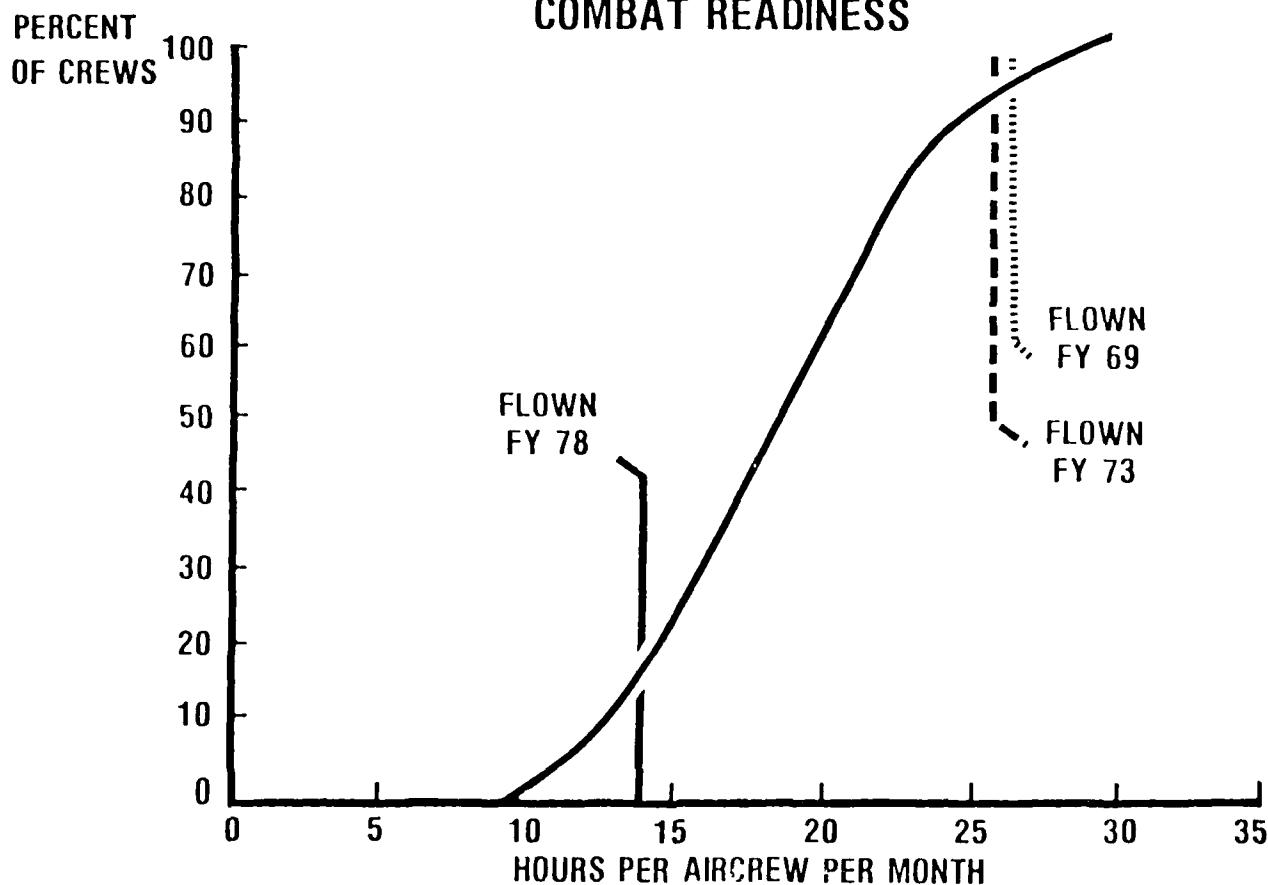


THE DATA ON THIS PARTICULAR CHART IS FOR THE F-4 DURING 1977-78 -- YOU CAN SEE WE WERE GETTING ABOUT 10.2 HOURS PER AIRCREW IN THE F-4 AS COMPARED TO 1969 WHEN WE WERE FLYING 18 HOURS. ANOTHER PROBLEM OR RATHER ANOMALY WAS UNITS WITH THE SAME EQUIPMENT FLYING DIFFERENT HOURS AND SORTIES. IF YOU WERE FLYING F-4'S AT NELLIS AIR FORCE BASE IN NEVADA, YOU WERE GETTING ABOUT SEVEN SORTIES, BUT IF YOU WERE FLYING F-4'S AT MOODY AIR FORCE BASE IN GEORGIA, YOU WERE GETTING JUST OVER 10. NOTE F-4 PILOTS AT SEYMOUR JOHNSON AIR FORCE BASE, NORTH CAROLINA, WERE FLYING ONLY 12 HOURS A MONTH. ABOUT HALF OF WHAT WE BELIEVED WAS REQUIRED TO MAINTAIN COMBAT READY STATUS.

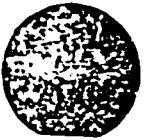


AIRCREW OPINION SURVEY

HOURS PER MONTH REQUIRED TO MAINTAIN COMBAT READINESS



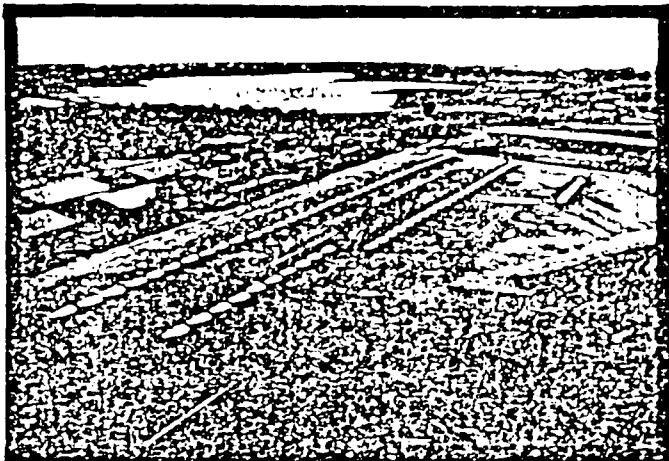
WE ASKED THE AIRCREWS WHAT THEY THOUGHT ABOUT THE AMOUNT OF FLYING TIME THEY WERE GETTING. WE ASKED THEM TWO QUESTIONS: ARE YOU GETTING ENOUGH FLYING TIME AND IF YOU'RE NOT, HOW MUCH TIME DO YOU NEED TO MAINTAIN COMBAT READY STATUS IN YOUR AIRCRAFT? NOW AS YOU CAN SEE, 15 PERCENT OF THE AIRCREWS SAID THEY WERE FLYING ABOUT THE RIGHT AMOUNT OF TIME BUT 85 PERCENT DISAGREED. IN FACT, 95 PERCENT SAID THAT 25 HOURS -- THE NUMBERS WE WERE FLYING BACK IN 1969 WERE ABOUT RIGHT. SO THE AIRCREWS - THE PEOPLE WHO ARE AT THE POINT WHERE THE "RUBBER MEETS THE RAMP" UNDERSTOOD THE PROBLEM VERY, VERY WELL.



66-1 MAINTENANCE ORGANIZATION

CENTRALIZED

- WING RESOURCES DIRECTED AT PRODUCING WING SORTIES
- NO TIE BETWEEN OPERATIONS AND MAINTENANCE BELOW THE WING PLANNING AND COORDINATION LEVEL



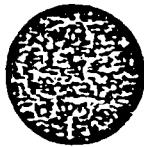
WE UNDERSTOOD THE RESULTS OF OUR LOW PRODUCTIVITY, BUT THERE IS SELDOM A SINGLE CAUSE FACTOR FOR A PROBLEM. SO WE LOOKED AT EVERYTHING. OUR ORGANIZATION WAS CENTRALIZED. I THINK YOU WOULD AGREE THAT EVERY ACTIVITY, EVERY BUSINESS HAS A DIFFERENT CHARACTER OR NATURE. WE RECOGNIZE THERE IS A DIFFERENCE BETWEEN A JEWELRY SHOP AND A GROCERY STORE. IF YOU TRY TO RUN THEM THE SAME WAY, YOU'RE GOING TO HAVE PROBLEMS. ONE IS HIGH TURNOVER WITH HIGH ACTIVITY; THE OTHER IS LOW TURNOVER, BUT HIGH RETURN ON EACH SALE OR TRANSACTION. THE AIR FORCE MAINTENANCE ORGANIZATION - AND IT'S "ONE SIZE FITS ALL" APPROACH FOR THE ENTIRE AIR FORCE - DID NOT RECOGNIZE OR ACKNOWLEDGE THIS REALITY. THE FOCUS OF THE CENTRALIZED SYSTEM WAS THE WING AND ALL DECISIONS WERE DIRECTED FROM THIS LEVEL VICE THE SQUADRON. THERE WAS NO CONNECTION, NO SCHEDULING, NO CONTACT, NO INTERACTION, NO INVOLVEMENT IN OPERATIONS AND MAINTENANCE BELOW THE WING LEVEL.



CENTRALIZED MAINTENANCE (66-1)

- CENTRALIZED AT WING LEVEL: AVIONICS SPECIALISTS, WEAPONS LOAD PERSONNEL, PERIODIC MAINTENANCE, AGE, MAINTENANCE SUPPORT SECTION (BENCH STOCK, TOOL BOXES, ETC.), FLIGHT DEBRIEFING, DATA ANALYSIS, CONTROLLING (JOB CONTROL), MONITORING, SUPPLY INTERFACE, PLANNING AND SCHEDULING
- ANY WING PILOT FLEW ANY WING AIRCRAFT
- ANY CREW CHIEF AND ANY SPECIALIST WORKED ON ANY AIRCRAFT
- CREW CHIEFS WERE ON FLIGHTLINE, ALL OTHERS WERE BEHIND/OFF FLIGHTLINE
- LOTS OF COORDINATION, TRANSPORTING, PAPERWORK REQUIRED - LOTS OF CLERKS
- STATISTICS AGGREGATED BY WING; STRONG CARRIED THE WEAK (AND THE WEAK GOT AWAY WITH IT)
- SQUADRON HAD TO BE "ASSEMBLED" FROM THE VARIOUS PARTS TO GO TO WAR -- ESSENTIALLY A REORGANIZATION, ALL STRANGERS

THIS CHART SHOWS SOME OF THE KINDS OF THINGS THAT TYPIFIED WHAT WENT ON IN THIS CENTRALIZED MAINTENANCE ORGANIZATION. AS YOU PROBABLY KNOW, WE HAVE A NUMBERING SYSTEM FOR OUR REGULATIONS. MAINTENANCE WAS COVERED IN REGULATION 66-1. THOSE OF US WHO HAD GROWN UP WITH SQUADRON MAINTENANCE AND KNEW THE BENEFITS OF DECENTRALIZATION CALLED IT COMMUNIST MAINTENANCE. ANY PILOT FLEW ANY AIRPLANE -- AND I ASK YOU, PARTICULARLY IF YOU ARE FROM OUT OF TOWN OR IF YOU TRAVEL A LOT, WHEN WAS THE LAST TIME YOU WASHED A RENTAL CAR? WELL, IF ANY CREW CHIEF OR SPECIALIST WORKS ON ANY AIRCRAFT, IT'S DIFFICULT TO IDENTIFY WITH A PARTICULAR AIRCRAFT. SO ORGANIZATION WAS A MAJOR PROBLEM. BUT WE HAD A LOT OF PROBLEMS -- ONE OF THE MOST IMPORTANT WAS WHEN WE WENT TO WAR, WE HAD TO REORGANIZE BECAUSE WE DON'T GO TO WAR AS WINGS -- WE GO TO WAR AS SQUADRONS. CAN YOU IMAGINE TOM LANDRY, THE COACH OF THE DALLAS COWBOYS, TRAVELING AROUND DALLAS PICKING UP PLAYERS TO MAKE A TEAM TO GO TO THE SUPER BOWL? I CAN'T. SO THERE WERE A LOT OF PROBLEMS ASSOCIATED WITH THE WAY WE WERE ORGANIZED.



SORTIE PRODUCTION RATE FORMULA

$$\text{SPR} = \sqrt{\text{AIRCRAFT FACTOR} * \text{PERSONNEL FACTOR} *}$$

*AIRCRAFT FACTOR = (FLYABLE RATE)(DED ACFT FACTOR)(SPARE FACTOR)(TURN RATE)

PROD DIRECT HRS PER PERSON PER DAY	AUTH PERSONNEL PER ACFT	WEIGHTED MANNING
X	X	X

* PERSONNEL FACTOR =

MANHOURS PER SORTIE

*PERSONNEL FACTOR =

4.116	X	15 54	X	.759
				62.3

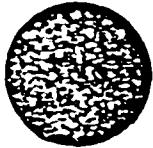
ANOTHER FACET OF THE PROBLEM, ONE OF THE "THINGS" WE WERE REALLY HIGH ON WAS FORMULAS IN THE 66-1 SYSTEMS. WE HAD FORMULAS FOR EVERYTHING. THIS CHART SHOWS THE SORTIE PRODUCTION FORMULA. I CALL TO YOUR ATTENTION THE PERSONNEL FACTOR -- 4.116 IS THE AVERAGE PRODUCTIVE HOURS PER DAY YOU COULD EXPECT OF ANYONE. IT WAS FIXED; IT COULD NOT BE CHANGED. IN FACT, WHEN I TOOK OVER AS COMMANDER AT DAVIS-MONTHAN AIR FORCE BASE IN TUCSON, ARIZONA, WE HAD PRETTY GOOD MAINTENANCE BUT WERE LIKE ALL THE OTHER UNITS FAILING TO MAKE OUR FLYING HOUR PROGRAM. I ASKED WHAT I THOUGHT WAS A REASONABLE QUESTION, "ARE WE GOING TO BE ABLE TO INCREASE OUR EFFORTS AND COMPLETE THE PROGRAM BY THE END OF THE YEAR?" THEY LOOKED AT ME AS IF I WERE FROM OUTER SPACE. "OH, YOU CAN'T DO THAT, GENERAL. YOU DON'T UNDERSTAND THE FORMULA." WHEN I ASKED "WHEN DID YOU FIRST REALIZE YOU WERE FALLING BEHIND AND WEREN'T GOING TO MAKE THE PROGRAM?" -- THEY SAID, "BACK IN JANUARY OR FEBRUARY." I THEN ASKED, "WHAT DID YOU DO BACK IN JANUARY OR FEBRUARY TO MAKE UP FOR THE TIME THAT YOU HAD NOT FLOWN IN ORDER TO COMPLETE YOUR PROGRAM BY THE END OF THE YEAR?" NO ANSWER. FLY SATURDAY? WORK MORE THAN A 40-HOUR WEEK? UNHEARD OF. SO, I LEARNED ABOUT 4.116 AND REALIZED IF I WAS GOING TO WORK THEM MORE THAN 40 HOURS, I WAS IN TROUBLE. THEY WERE QUICK TO POINT OUT THAT WE DIDN'T WORK MORE THAN 40 HOURS A WEEK. ALL MEN LIVE BY DIFFERENT MYTHS.

SAMPLE FLYING HOUR SCHEDULING ANOMALIES

TAC - FY 1978

TYPE	AIRCRAFT	UNIT	AIRCRAFT SORTIE	UTILIZATION RATE	PERCENT DIFFERENCE
F-4E	347 TFW (MOODY)			16.3	5%
	33 TFW (EGLIN)			15.6	
F-4D	388 TFW (HILL)			15.5	12%
	474 TFW (NELLIS)			13.8	
RF-4C	67 TRW (BERGSTROM)			16.4	13%
	363 TRW (SHAW)			14.5	
A-7	355 TFW (DAVIS MONTHAN)			18.6	18%
	23 TFW (ENGLAND)			15.7	
F-111D	27 TFW (CANNON)			8.8	49%
F-111A	366 TFW (MOUNTAIN HOME)			5.9	
OV-10	507 TCW (SHAW)			24.1	63%
	602 TCW (BERGSTROM)			14.8	

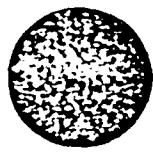
AS I MENTIONED EARLIER, WE HAD MANY SCHEDULING ANOMALIES. THIS CHART SHOWS THE VARIOUS KINDS OF AIRCRAFT FLOWN IN TAC. ON THE LEFT SIDE ARE AIRCRAFT ASSIGNED TO UNITS AT THE BASES SHOWN. YOU'LL NOTE THAT IF YOU HAPPENED TO FLY RF-4'S AT BERGSTROM AFB IN TEXAS, YOU WOULD FLY AT 16.4 - OR WE DID IN 1978 - AND IF YOU FLEW RF-4'S AT SHAW AFB IN SOUTH CAROLINA, YOU FLEW 14.5. IF YOU FLEW OV-10'S AT SHAW, YOU FLEW 24.1, BUT IF YOU WERE FLYING IN TEXAS, YOU FLEW 14.8. SO THE ANOMALIES WERE NOT BECAUSE OF THE WEATHER OR SOME ENVIRONMENTAL FACTOR. CLEARLY, THERE WAS SOME MAGIC AND MYSTERY GOING ON. INTERESTINGLY, THOSE UNITS WHO PROGRAMMED WHAT THEY EXPECTED TO FLY AND THEN FLEW THAT PROGRAM RECEIVED GOOD MARKS EVEN THOUGH IT WAS A LOWER RATE THAN UNITS FLYING THE SAME WEAPON SYSTEM THAT PROGRAMMED AND FLEW HIGHER BUT DIDN'T QUITE MAKE THEIR PROGRAM. ESSENTIALLY, THEY WERE CRITICIZED FOR POOR PLANNING. THE MEASURE OF MERIT WASN'T OUTPUT -- IT WAS PLANNING AND PROGRAMMING. THE FOCUS WAS ON INPUTS, NOT OUTPUTS. THIS CHART SHOWS WE HAD AN 18 PERCENT DIFFERENCE IN F-4'S ALONE IN FOUR DIFFERENT UNITS. SO THERE WERE A LOT OF DIFFERENT THINGS GOING ON AND NO WAY TO COMPARE LIKE UNITS. THEREFORE, THERE WAS NO COMPETITION. IN FACT, COMPETITION WAS FORBIDDEN UPON.



THE "COMO" APPROACH

- REORGANIZED MAINTENANCE COMPLETELY; COMO vs. "66-1"
 - DECENTRALIZED VICE CENTRALIZED
 - FOCUS ON SELF SUFFICIENT SQUADRONS
 - ORGANIZE AND TRAIN LIKE YOU WILL FIGHT
- AUTHORITY AND RESPONSIBILITY TO LOWEST FEASIBLE LEVEL; SQUADRON LEVEL SUPERVISORS TRAIN AS WARTIME LEADERS
- SPECIALISTS AND NCO'S OF ALL SKILLS BACK TO THE FLIGHT LINE; CROSS UTILIZATION; IMMEDIATE AVAILABILITY; ON-SCENE SUPERVISION GREATLY ENHANCED
- REINSTITUTED UNIT TRAPPINGS; SQUADRON COLORS; SQUADRON IDENTIFICATION; SQUADRON PRIDE

COMO DID A LOT OF THINGS FOR US, BUT THE MOST IMPORTANT WAS TO LINK AUTHORITY AND RESPONSIBILITY AT THE LOWEST FEASIBLE LEVEL. IF I REPEAT THAT 50 TIMES, I HOPE SOMEONE WILL REMIND ME THAT I HAVEN'T SAID IT ENOUGH. AUTHORITY AND RESPONSIBILITY MUST BE LINKED. WE BELIEVE THAT HAVING AUTHORITY AND RESPONSIBILITY AT DIFFERENT LEVELS -- DISCONNECTED -- WAS ONE OF THE MAJOR PROBLEMS IN OUR CENTRALIZED SYSTEM AND ONE OF OUR MAJOR PROBLEMS IN AMERICA TODAY. IT'S BEEN A PROBLEM IN TAC BUT WE BELIEVE WE'VE GOT A HANDLE ON IT.

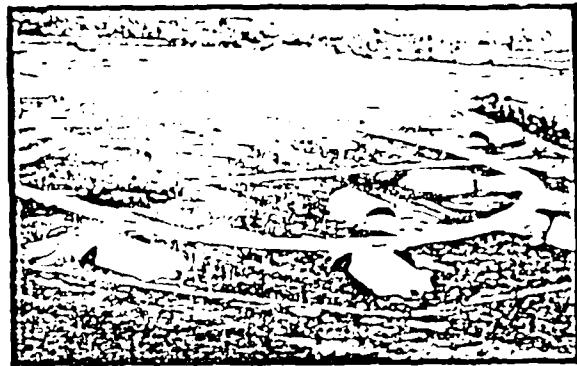


WARTIME TASKING

1 SQDN TO BASE X

1 SQDN TO BASE Y

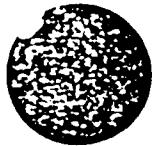
1 SQDN TO BASE Z



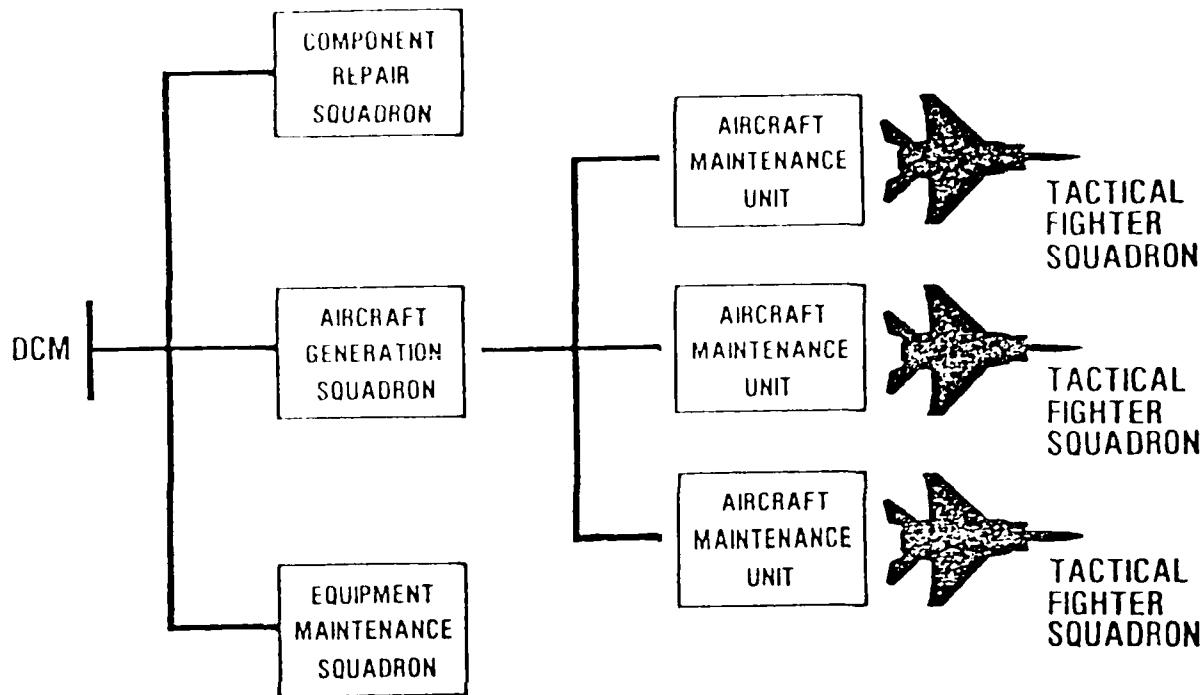
ORGANIZE AND TRAIN LIKE WE'LL FIGHT

COMBAT ORIENTED MAINTENANCE ORGANIZATION
(COMO)

WE TRAIN AS WE INTEND TO FIGHT! AND WE'RE ORGANIZED BY SQUADRONS SO THAT WE DON'T HAVE TO REORGANIZE TO GO TO WAR. THE EMPHASIS IS ON COMBAT AND MISSION OR PURPOSE.



COMBAT ORIENTED MAINTENANCE ORGANIZATION (COMO)



ANOTHER BASIC PART OF THE TAC PHILOSOPHY I'VE ALREADY MENTIONED -- WE BELIEVE DEEPLY IN DECENTRALIZATION. SO WE IMPROVED THE ORGANIZATION. YOU'LL HEAR ME USE THE TERM "COMO" A LOT - IT STANDS FOR COMBAT ORIENTED MAINTENANCE ORGANIZATION.

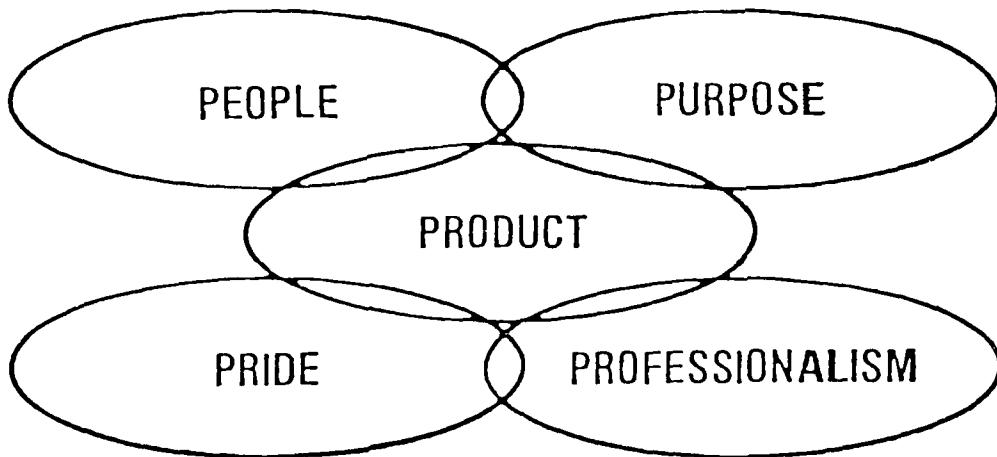
WHAT IT DOES IS LINK OUR OPERATORS AND MAINTENANCE PEOPLE TOGETHER SO THEY ARE READY WHEN REQUIRED TO DEPLOY AND FIGHT ON ARRIVAL.

Make it **BETTER**

IF WE DON'T DO IT RIGHT, WE DO IT OVER AND OVER AND OVER UNTIL WE GET IT RIGHT - AND I'LL ADMIT WE'VE DONE SOME THINGS OVER, BUT ALWAYS WITH THE SAME GOAL -- TO MAKE IT BETTER. THE ONLY WAY YOU GET TO BE VERY GOOD AT SOMETHING IS THROUGH REPETITION. PRACTICE, PRACTICE, PRACTICE. EVERYONE WANTS TO WIN, BUT NOT EVERYONE UNDERSTANDS WHAT IS REQUIRED AND IS WILLING TO DO WHAT IS REQUIRED TO WIN. YOU MUST PREPARE TO WIN. PREPARATAION IS READINESS!

Make it **HAPPEN**

WE TRY TO INSTILL IN OUR LEADERSHIP A NEW SPIRIT AND ENTHUSIASM -- SO THAT THEY ARE MOTIVATED TO GO OUT AND MAKE IT HAPPEN. SOMETHING IS GOING TO HAPPEN. I CAN GUARANTEE YOU THAT RIGHT NOW AS I'M STANDING HERE, THERE ARE A LOT OF THINGS HAPPENING IN TACTICAL AIR COMMAND. AND YOU KNOW WHAT? IT WILL HAPPEN WHETHER I'M HERE OR AT LANGLEY. YOU CAN'T DO IT ALL YOURSELF. YOU HAVE TO WORK THROUGH PEOPLE, WITH PEOPLE; WE FORCE AUTHORITY AND RESPONSIBILITY DOWN TO THE LOWEST FEASIBLE LEVEL. THE PEOPLE DOWN AT THAT LEVEL ARE DOING IT. THEY ARE THE PEOPLE THAT ARE MAKING IT HAPPEN AND THEY WANT TO DO IT WELL. THEY WANT TO DO THEIR BEST, AND WE WANT THEM TO DO THEIR BEST!



WE HAVE A SYSTEM, WE WORK HARD AT TEACHING OUR PEOPLE OUR SYSTEM. WE ALSO HAVE A PHILOSOPHY. LET ME TRY AND EXPLAIN IT WITH THE FIVE P'S. IT ALL STARTS WITH PEOPLE. WE BELIEVE THAT PEOPLE WHO UNDERSTAND THEIR PURPOSE, WHO HAVE PRIDE AND PROFESSIONALISM WILL PRODUCE. WE DO A LOT OF TALKING. WE DO A LOT OF TRAINING; WE BRING A LOT OF PEOPLE TO LANGLEY AIR FORCE BASE AND WE TALK PHILOSOPHY AND SYSTEM. THE "WHAT" AND THE "HOW"!.

WHETHER YOU'RE IN THE 9TH OR 12TH SQUADRON - EAST OR WEST. HE MADE THOSE DECISIONS AND THERE WAS NO CHANGING THOSE DECISIONS. WE (THE FIELD COMMANDERS) TRIED TO NEGOTIATE WITH HIM A LITTLE - BUT WE DIDN'T DO TOO WELL. HE MIGHT SHAVE IT A HALF A PERCENTAGE POINT IF YOUR ARGUMENTS WERE CONVINCING - BUT BY AND LARGE HE'D SAY YOU FLY THAT PARTICULAR UTILIZATION RATE. NO EXCUSES. NOW IN THE FIELD, WE HAD THE OPPORTUNITY TO GO OUT AND FLY HEAVY IN DECEMBER AND LOW IN JUNE IF WE WANTED TO BECAUSE OF THE WEATHER OR WHATEVER REASON. THAT WAS FINE. PLANNING, DIRECTING, CONTROLLING WAS CENTRALIZED, BUT EXECUTION WAS DECENTRALIZED. IT WORKS VERY WELL AND, IN FACT, IT'S NOT NEW. IT'S A PRINCIPLE WHICH UNDERPINS OUR TACTICAL AIR CONTROL SYSTEM DEVELOPED DURING WORLD WAR II. ENOUGH THEORY -- LET'S GET BACK TO THOSE MAINTENANCE PEOPLE. WE NEEDED TO IMPROVE THE CONDITIONS OF OUR MAINTENANCE PEOPLE WITH REGARD TO THEIR SURROUNDINGS AND THEIR TRAINING.

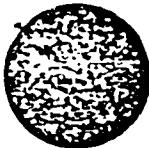
TRAINING! A YOUNG MAN IS CALLED TO THE FLAG. HE'S LOOKING FOR ORDER, STRUCTURE, DISCIPLINE. HE WANTS TO BE A JET ENGINE MECHANIC. HE WANTS TO BE THE BEST ENGINE MECHANIC HE CAN BE AND HE EXPECTS US TO TRAIN HIM -- AND WE DON'T TRAIN HIM WHAT HAPPENS? UNFULFILLED EXPECTATIONS. WHAT DOES HE DO? WHAT CAN HE DO? HE GOES OUT ON THE FLIGHT LINE AND HE LEARNS BY TRIAL AND ERROR. I REMIND YOU AGAIN - A MULTIMILLION DOLLAR ENGINE. HE DOESN'T LIKE IT AND HE DOESN'T DO IT VERY WELL. SO WE MADE A COMMITMENT TO TRAINING. TRAIN, TRAIN, TRAIN. WE BELIEVE 50 PERCENT OF EVERY JOB IS TRAINING.



TAC GOALS

- ② EMPHASIZE THE WELFARE OF THE MAINTENANCE TROOPS
 - GIVE THEM WORK OBJECTIVES THEY CAN UNDERSTAND, RELATE TO, AND ACHIEVE
 - IMPROVE THEIR SURROUNDINGS
 - CONCENTRATE ON TRAINING
 - REFINE POMO
 - DEVELOP AMU/FIGHTER SQUADRON IDENTIFICATION
 - INCREASE CROSS-UTILIZATION
 - DEVELOP GREATER COMMONALITY, STANDARDIZATION
 - REFINE POST

SINCE WE WERE GOING TO ASK OUR MAINTENANCE PEOPLE TO DO MORE THAN THEY HAD DONE IN RECENT MEMORY, WE HAD TO IMPROVE THEIR FACILITIES. IF YOU VISITED OUR COMMAND IN THOSE DAYS, YOU'D FIND A FIGHTER SQUADRON WASN'T TOO BAD. IF IT WERE IN THE SOUTHWEST, IT WOULD BE AIR-CONDITIONED. HOWEVER, IF YOU WENT NEXT DOOR TO THE MAINTENANCE UNIT, YOU'D PROBABLY FIND THAT IT WAS COOLED BY A SWAMP COOLER AND THE FAN DIDN'T WORK. WE HAD A MIND-SET WHICH I MENTIONED EARLIER -- THE CORNER GARAGE. WE ALL LOVE THE CORNER GARAGE -- WHITTLING AND TELLING STORIES. BUT THE PROBLEM WITH THAT IS THE FACT YOU SAY TO PEOPLE IN TERMS OF THE ENVIRONMENT IN WHICH THEY LIVE AND WORK, IT'S OKAY, YOU CAN BE DIRTY, YOU CAN BE SLOPPY - NO NEED TO PAY ATTENTION TO DETAIL, DON'T WORRY ABOUT THE HOUSEKEEPING -- BUT WHEN YOU GO OUT ON THE FLIGHT LINE AND WORK ON THAT AIRPLANE, NOW YOU'VE GOT TO CHANGE -- TURN LIKE JEKYL AND HYDE -YOU'VE GOT TO BECOME A DOCTOR; YOU'VE GOT TO BECOME METICULOUS; YOU'VE GOT TO FOLLOW THE TECH DATA. BELIEVE ME, IT JUST DOESN'T WASH! THEY NEED STANDARDS AND GOALS THEY CAN RELATE TO. LET ME TRY AND EXPLAIN WHAT I MEAN. WHEN I WAS A STUDENT HERE AT FORT MCNAIR, DR. MARION LEVY, A PROFESSOR AT PRINCETON, SPOKE TO US ABOUT CENTRALIZATION AND DECENTRALIZATION. HE SAID IT'S USUALLY ONE OR THE OTHER -- EITHER CENTRALIZED OR DECENTRALIZED, AND THAT'S THE MISTAKE. UNFORTUNATELY, WE DON'T ASK OURSELVES THOSE IMPORTANT QUESTIONS ABOUT WHAT DECISIONS SHOULD BE CENTRALIZED AND WHAT DECISIONS SHOULD BE DECENTRALIZED. GENERAL CREECH GAVE US OUR GOAL -- WE WILL FLY OUR FLYING HOUR PROGRAM. IF YOU'RE AN F-4 UNIT, YOU WILL HAVE THIS UTILIZATION RATE -



TAC GOALS

- FURTHER DEVELOP AND IMPROVE OUR PEOPLE PROGRAMS
 - IMPROVE SERVICES
 - IMPROVE FACILITIES
 - IMPROVE TWO-WAY DIALOGUE
 - STRESS HUMAN RELATIONS AND DISCIPLINE
 - CHALLENGE AND MOTIVATE
 - CARE ABOUT THEIR WELFARE

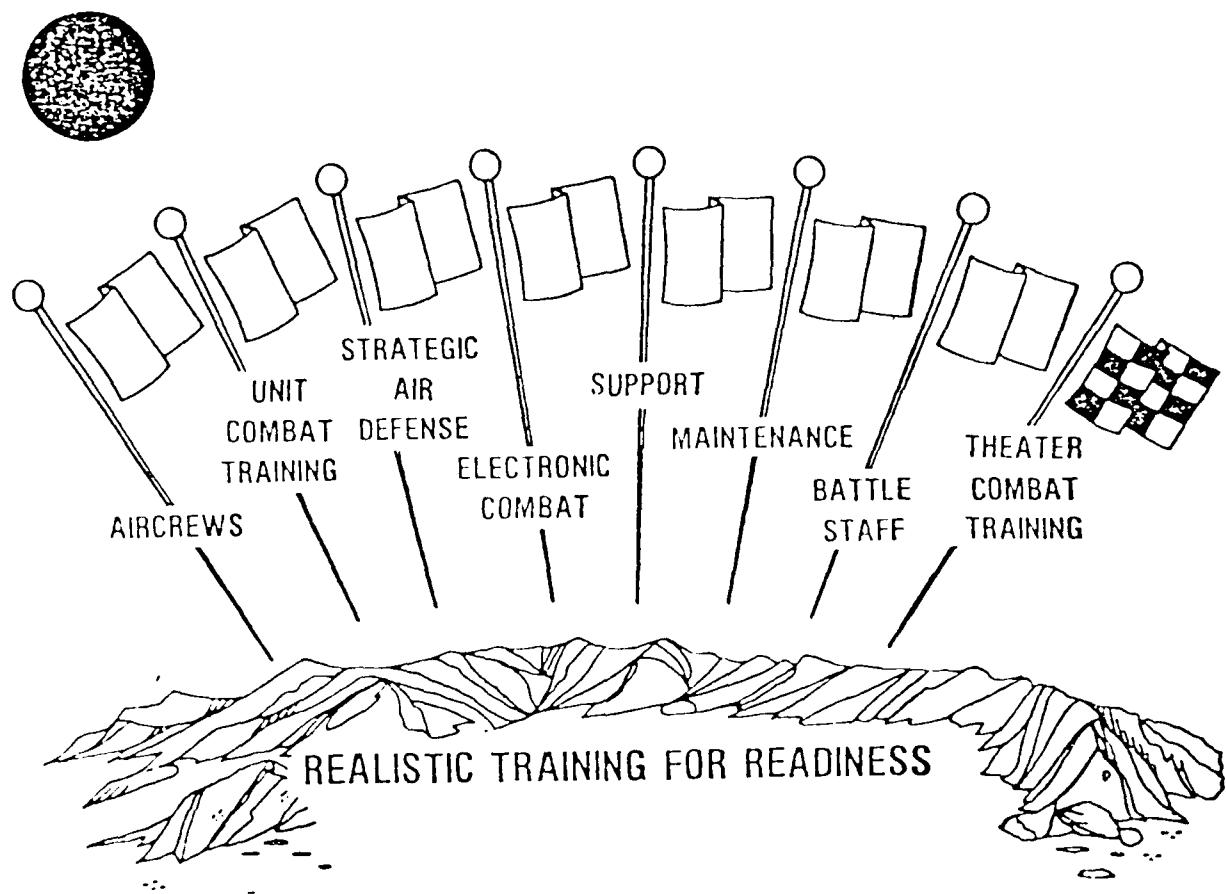
NEXT WE LOOKED AT OUR PEOPLE PROGRAMS -SERVICES, CHILD DAY CARE CENTERS, PERSONNEL SERVICES, WE LOOKED AT SCHEDULES AND USED FLEX TIME WHERE WE COULD. WE STRESSED NEW IDEAS. WE ENCOURAGED OUR PEOPLE TO SURFACE IDEAS AND WE GOT PEOPLE INVOLVED. WE IMPROVED COMMUNICATION -- STRESSED INFORMATION FLOW AND TWO-WAY DIALOGUE. NOW WHAT THIS MEANS IS LEADERS LISTENED. REALLY LISTENED. WE BELIEVE THERE IS NO CORNER ON GOOD IDEAS, AND PEOPLE WHO HAVE AN IDEA ARE ENCOURAGED -- NO, EXPECTED -- TO BRING THAT IDEA FORWARD. IF IT'S THE WRONG TIME, IT DOESN'T FIT, THAT'S OKAY -- BUT THE INDIVIDUAL THAT SUGGESTED THE IDEA DOESN'T HAVE THE PREROGATIVE OF SITTING IN A CORNER AND SUCKING THEIR THUMB IF THEIR IDEA ISN'T USED. WE TRY TO BE SENSITIVE TO EGO. YOU MUST DEAL WITH EGO BECAUSE WE ALL HAVE ONE. WE STRESS HUMAN RELATIONS AND DISCIPLINE. THERE AREN'T ANY BAD OUTFITS; THERE'S JUST BAD LEADERS. THE KEY TO GOOD OUTFITS IS DISCIPLINE AND HUMAN RELATIONS. YOU HAVE TO CHALLENGE PEOPLE, YOU HAVE TO MOTIVATE PEOPLE, AND YOU HAVE TO CARE ABOUT THEM.



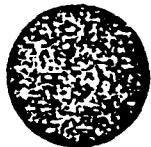
TAC GOALS

- PROFESSIONAL APPEARANCE - BASES,
FACILITIES, PEOPLE
 - INSTILL PRIDE IN SURROUNDINGS
 - INSIST ON PROPER UPKEEP

SOME PEOPLE DON'T UNDERSTAND HOW FACILITIES INFLUENCE PRODUCTIVITY. IT'S A MIND-SET, ATTITUDE, PRIDE. THE FIRST STEP WAS TO LOOK TO THE FLIGHT LINE. THAT MAY SOUND STRANGE, BUT WE ASKED EVERYONE ON THE BASE TO TURN AND LOOK TO THE FLIGHT LINE. WHY? TO REMIND OURSELVES OF OUR PURPOSE. OUR MISSION WAS VERY SIMPLY -- PERHAPS AN OVERSIMPLIFICATION -- TO FLY AND FIGHT. GENERAL CREECH CHANGED THIS MOTTO TO FLY, FIGHT, AND WIN! WE HAD FORGOTTEN OUTPUT IN STATING OUR PURPOSE. FLYING AND FIGHTING ARE ONLY WORTHWHILE IF YOU WIN! CLEARLY OUR BUSINESS WAS FLYING AIRPLANES. SO EVERYTHING ON THE BASE INVOLVED IN PRODUCING SORTIES - FACILITIES, EQUIPMENT, PEOPLE - WAS PART OF THAT PURPOSE OR MISSION. WE WANTED OUR PEOPLE TO IDENTIFY WITH THE MISSION AND TAKE PRIDE IN THEMSELVES AND THEIR WORK. WE INSISTED THAT WE DID THE RIGHT THINGS AND DID THINGS RIGHT!



WE ADDED FLAG PROGRAMS TO FOCUS OUR ATTENTION ON REALISTIC TRAINING. ALL OF THESE PROGRAMS ARE EFFORTS TO CAPTURE OUR PEOPLE'S IMAGINATION AND TO GET THEM MOTIVATED TO IMPROVING IN A SPECIFIC AREA. I'VE ALREADY DISCUSSED OUR CHECKERED FLAG PROGRAM AND OUR EFFORTS TO IMPROVE OUR ABILITY TO DEPLOY AND FIGHT FROM OUR COLLOCATED OPERATING BASES. BLUE FLAG PROVIDES TRAINING FOR THE BATTLE STAFFS AND BLACK FLAG FOR MAINTENANCE SUPPORT. IN ADDITION, WE HAVE A SERIES OF PROGRAMS AIMED AT IMPROVING FACILITIES AND EQUIPMENT WHILE INSTILLING PRIDE. THESE ARE THE "LOOK" PROGRAMS -- PROUD LOOK, NEW LOOK, SHARP LOOK.



TAC GOALS

- IMPROVE AIRCREW TRAINING -- QUANTITY AND QUALITY

- FLY MORE
- ESTABLISH MINIMUM STANDARDS AND GOALS -- AND MEET THEM
- INCREASE REALISM
- EXPAND RED FLAG
- STEP UP RANGE IMPROVEMENTS

WE LOOKED CAREFULLY AT TRAINING IN TERMS OF BOTH QUALITY AND QUANTITY. NOW WE THINK WE KNOW SOMETHING ABOUT TRAINING -- WE DO IT EVERY DAY. COMBAT REALISM IS WHAT BRINGS QUALITY TO OUR TRAINING. SO WE HAD TO INCREASE REALISM OR QUALITY AT THE SAME TIME THAT WE WERE INCREASING QUANTITY. THE QUANTITY WE NEEDED WAS KNOWN -18 SORTIES AND 25 HOURS! BUT QUALITY IS MORE DIFFICULT TO IMPROVE. WE INCREASED REALISM BY EXPANDING RED FLAG --INCREASING ALLIED PARTICIPATION AND ADDING A MORE REALISTIC ELECTRONIC COMBAT ENVIRONMENT. WE NEEDED ELECTRONIC COMBAT TRAINING DESPERATELY, BUT IT WAS EXPENSIVE AND WE COULDN'T DO IT ALL AT ONCE. SO WE TOOK IT A STEP AT A TIME.

AND FORGOTTEN WE WERE LEADERS. PREVIOUSLY, COMMANDERS WERE NOT EXPECTED TO FLY AND SO THEY DIDN'T FLY. IF THEY DID FLY AND FLEW TOO MUCH, THE COMMANDER WOULD CALL AND SAY YOU'RE FLYING TOO MUCH. I DON'T PAY YOU TO FLY; I PAY YOU TO MANAGE. SO WE THOUGHT LIKE MANAGERS. WE DIDN'T LEAD AND, AS A RESULT, THE COMMAND, IN A SENSE, WAS UPSIDE DOWN. THE CAPTAINS WERE IN CHARGE!

GENERAL CREECH SET THE GOAL AND THE STANDARDS. BECAUSE TAC REINFORCES FORWARD BASED COMMANDS, MOBILITY HAS ALWAYS BEEN AN IMPORTANT PART OF OUR MISSION. WE'RE READY TO GO IN EIGHT HOURS. RECALL, PACK YOUR BAGS, MOVE OUT, ANYTIME, ANYWHERE REQUIRED. MOBILITY WAS NOT SOMETHING NEW TO US -- IT WAS ALWAYS IMPORTANT, BUT WE HADN'T STRESSED OURSELVES. YOU DON'T KNOW HOW GOOD YOU ARE UNTIL YOU STRESS SOMETHING AND IT BREAKS AND THEN YOU HAVE TO FIX IT. SO WE HAD TO STRESS OURSELVES TO SEE WHAT WE COULD REALLY DO. TRADITIONALLY WE DID NOTATIONAL PLANNING. WHAT THAT MEANS IS THAT A SQUADRON PLANS AND PREPARES BUT ISN'T ASSIGNED TO A SPECIFIC BASE. SO THE CHECKERED FLAG PROGRAM WAS DEVELOPED. WE WERE SPECIFIC ABOUT WHICH BASE. FOR DISCUSSION PURPOSES, LET'S SAY IT'S LAHR IN GERMANY. WE PLAN TO DEPLOY, VISIT, AND LEARN ALL ABOUT IT. TAKE PICTURES OF WHERE YOU LIVE AND WORK, FIND OUT WHO YOU OPERATE WITH, AND WHO YOU'LL COMMUNICATE WITH. THIS MADE MOBILITY TRAINING MUCH MORE REALISTIC. WITH THE RESULT WE WILL BE ABLE TO FIGHT MORE EFFECTIVELY ON ARRIVAL. SIMPLY, WE BELIEVE IT'S BETTER TO HAVE A SYSTEM -- A GAME PLAN -- AND YET BE FLEXIBLE ENOUGH TO CALL AUDIBLES AT THE LINE OF SCRIMMAGE, IF NECESSARY. AND THAT'S MUCH BETTER THAN MAKING UP PLAYS DURING THE GAME LIKE "EVERYONE OUT FOR A LONG ONE"! WE ALSO INCREASED THE NUMBER OF DEPLOYMENTS THREEFOLD AND DID SOMETHING CALLED ROBUSTING. YOU MAY HAVE SEEN SOME ARTICLES IN THE WASHINGTON POST IN THE LAST TWO OR THREE MONTHS ABOUT C-RATINGS. THOSE ARTICLES SAY THE SERVICES HAVE GOTTEN WORSE - NOT BETTER - SINCE 1980. NOW THERE'S BEEN A LOT OF EXPLANATIONS AND I WON'T GET INTO THAT TOO DEEPLY EXCEPT TO SAY THAT THE PRESS REPORTS WERE WRONG -- WE'RE MUCH BETTER TODAY. BEFORE GENERAL CREECH, WE HAD SLIPPED TO THE POINT WHERE C-2 WAS CONSIDERED PRETTY GOOD (C-1 IS BEST) -- IF EVERY SQUADRON IN THE WING WAS C-2. THE PROBLEM WAS WE SPREAD THE SHORTAGES AND YOU COULDN'T TELL WHERE THE SHORTFALLS WERE, SO WE "ROBUSTED." WE PUT ALL THAT WE NEEDED IN THE ONE SQUADRON THAT WAS GOING TO GO FIRST AND AS MUCH AS WE COULD IN THE SQUADRON THAT WOULD GO SECOND, AND IF THE THIRD SQUADRON DIDN'T HAVE ENOUGH, SO BE IT. BUT WE COULD SAY TO CONGRESS, THIS IS WHERE WE'RE SHORT -- WE NEED MORE OF THIS OR THAT. WE TRIED TO EQUALIZE OUR STRENGTHS AND NOT OUR SHORTAGES. WE WANTED TO GET TO THE POINT WHERE WE WOULDN'T HAVE TO REALIGN OUR RESOURCES TO GO TO WAR.



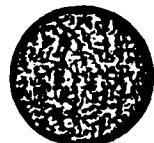
TAC GOALS

- IMPROVE ABILITY TO DEPLOY RAPIDLY AND FIGHT IMMEDIATELY
 - STRESS MOBILITY EXERCISES
 - RECONSTRUCT RTU SQUADRONS FASTER
 - IMPLEMENT "CHECKERED FLAG" PROGRAM
 - GIVE EACH SQUADRON A WARTIME BEDDOWN LOCATION, ETC.
 - INCREASE EXERCISE DEPLOYMENTS TO WARTIME LOCATIONS
 - ILLUMINATE AND CORRECT SHORTAGES
 - CREATE ROBUST SQUADRONS AND WINGS
 - EQUALIZE STRENGTHS, NOT SHORTAGES
 - DON'T REORGANIZE TO GO TO WAR

DURING HIS FIRST FEW WEEKS IN WHAT MIGHT BE CALLED HIS ASSESSMENT PERIOD, GENERAL CREECH VISITED THE COMMAND AND LOOKED AT EVERYTHING -- PEOPLE, AIRCRAFT AND FACILITIES. REMEMBER WE'RE FLYING AND FIXING MULTIMILLION DOLLAR-AIRPLANES. BUT FROM EVEN A CURSORY LOOK AT THE FACILITIES WE WERE PROVIDING OUR PEOPLE, YOU WOULD THINK WE WERE REPAIRING MODEL "T" FORDS AT THE CORNER GARAGE.

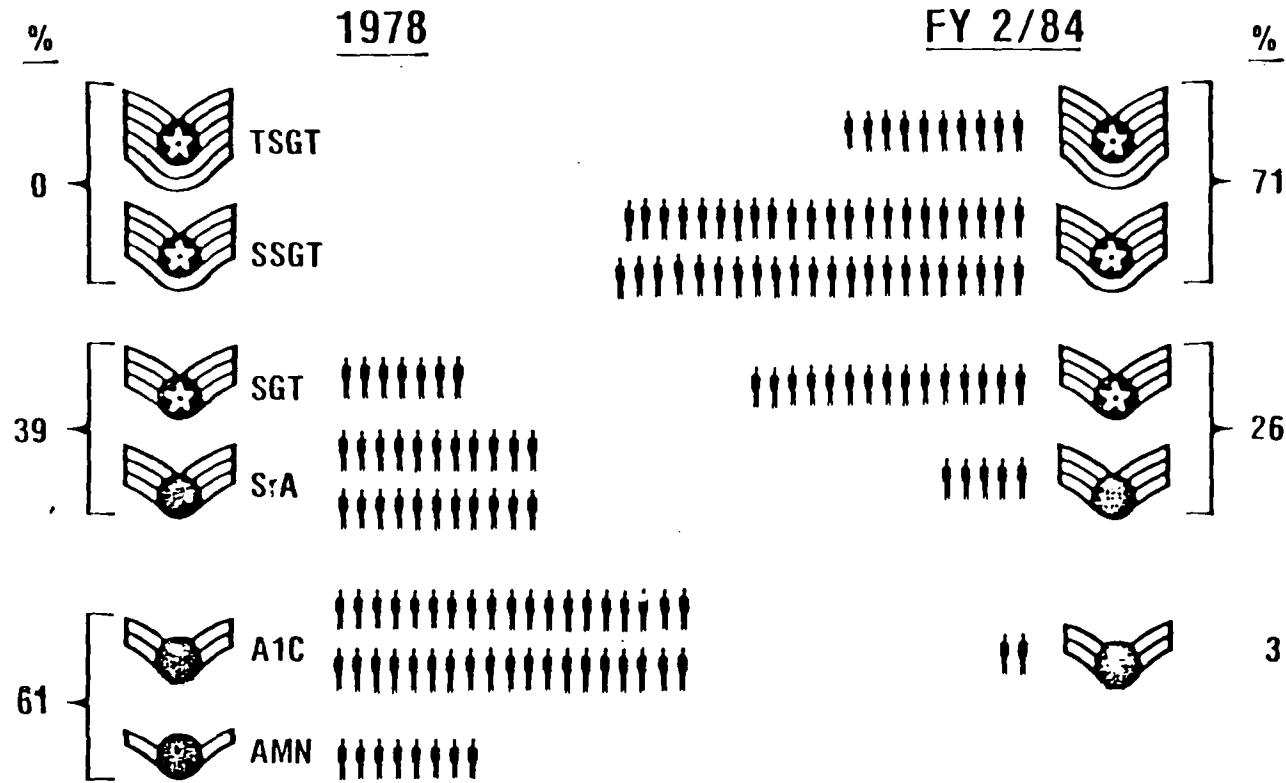
NOW I ASK YOU, HOW CAN YOU ASK A YOUNG CREW CHIEF TO BE METICULOUS, THOROUGH AND PRECISE AND TO FOLLOW THE TECH DATA WHEN YOU SEND HIM A MESSAGE THAT HE'S NOT IMPORTANT. LIVE IN A RAT'S NEST BUT TAKE CARE OF THAT AIRCRAFT AS IF IT WERE YOUR OWN CAR AND YOU WERE GOING TO DRIVE IT IN THE INDIANAPOLIS 500.

THE FIRST ACTION AND, PERHAPS THE MOST IMPORTANT ACTION, GENERAL CREECH TOOK WAS TO SET GOALS. WE ARE HERE AND WE'RE GOING TO MOVE FROM WHERE WE ARE TO THERE, AND WE'RE GOING TO MAKE IT BETTER. WE WILL FLY OUR FLYING HOUR PROGRAM AND WE WILL DO IT FIVE DAYS BEFORE THE END OF THE YEAR. HE SET THIS FLYING HOUR GOAL AT HIS FIRST COMMANDERS' CONFERENCE. HE CALLED EACH OF HIS COMMANDERS AND TOLD US TO SHOW UP AT LANGLEY AFB IN OUR FLYING SUITS. WE WERE ALL A LITTLE SURPRISED BECAUSE WE HAD NEVER GONE TO A COMMANDERS' CONFERENCE IN OUR FLYING SUITS BEFORE. WHEN WE ASSEMBLED HE SAID I KNOW YOU'RE PROBABLY ASKING WHY THE FLYING SUITS? WELL, THAT'S OUR COMBAT UNIFORM. IT SHOULDN'T BE UNUSUAL TO MEET AND DISCUSS BUSINESS IN OUR BUSINESS SUITS. WHAT HAD HAPPENED WAS WE HAD BECOME MANAGERS



STRIPES ON THE FLIGHTLINE

DEDICATED CREW CHIEFS TYPICAL TAC WING (72 AIRCRAFT)



ALONG WITH THE REORGANIZATION WAS A MOVE OF EXPERIENCE BACK TO THE FLIGHT LINE. THIS CHART SHOWS THE SITUATION ON THE FLIGHT LINE IN 1978 AS COMPARED WITH THE 2ND QUARTER OF 1984 -- VERY FEW STRIPES ASSIGNED AS DEDICATED CREW CHIEFS. NOW CHANGING THIS DIDN'T OCCUR WITH A SNAP OF OUR FINGERS. THIS EVOLVED OVER A SIX-YEAR PERIOD TO WHERE WE ARE TODAY. IF I WERE TO INVITE YOU TO FLY ONE OF OUR AIRPLANES, WHO WOULD YOU LIKE TO HAVE WORKING ON THE AIRPLANE THAT YOU FLY? AN EASY CHOICE? OF COURSE, YOU'D WANT THE BEST, MOST EXPERIENCED. SIMPLE, ISN'T IT?

WE NEEDED TO GET THE EXPERTS OUT THERE TEACHING THOSE GREAT YOUNG AMERICANS WHO ARE LOOKING FOR TRAINING AND HELP IN DEVELOPING THEIR SKILLS. WE NEEDED THEM ON THE FLIGHT LINE SUPERVISING AND MAKING IT HAPPEN. THE YOUNG PEOPLE THAT ARE CALLED TO THE FLAG HAVE A NEED TO BELONG AND IDENTIFY WITH THEIR UNIT AND AIRCRAFT. THEY WANT TO BE RECOGNIZED FOR THE WORK THEY DO. THEY HAVE PRIDE AND WILL WORK HARD TO PRODUCE. IT'S INCREDIBLE WHAT THEY WILL GIVE UP TO MAKE THEIR SQUADRON THE BEST IN THE AIR FORCE -- THEIR TIME, THEIR ENERGY, AND EVEN THEIR FAMILIES -- IT NEVER CEASES TO AMAZE ME. I GUESS IT'S HUMAN NATURE. PEOPLE NEED TO HAVE MEANINGFUL ACTIVITY IN THEIR LIVES.



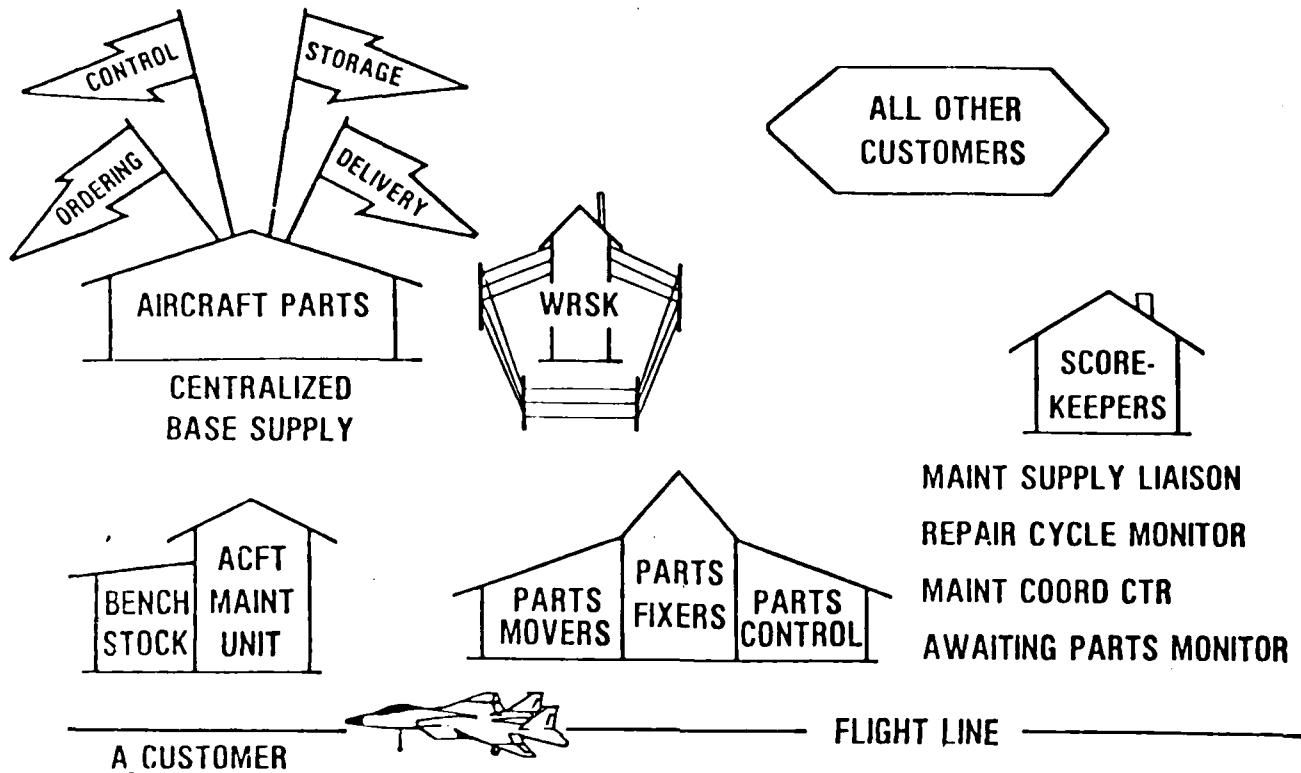
THE "COMO" APPROACH

- PROMOTED UNIT COMPETITION; OTHER TECHNIQUES TO FOSTER MOTIVATION, PRIDE AND RESPONSIBILITY
 - DEDICATED CREW CHIEF PROGRAM
 - EXPANDED AWARDS PROGRAM
 - OTHER MOTIVATORS
- IMPLEMENTED NEW SYSTEM OF GOALS; YEARLY/MONTHLY "UTILIZATION RATE" CONCEPT; LIKE UNITS FLY LIKE RATES
- MAJOR IMPROVEMENTS MADE TO MAINTENANCE FACILITIES -- NEW LOOK; SMART LOOK; BRIGHT LOOK

WE PROMOTED UNIT COMPETITION. AT THE OUTSET WE COULDN'T TELL WHO WAS DOING GOOD OR BAD BECAUSE WE WEREN'T FLYING THE SAME UTE RATES. ONCE GENERAL CREECH DIRECTED THE UTE RATE FOR A PARTICULAR SYSTEM -- F-4, F-15, ETC., IT BECAME VERY CLEAR WHO WAS DOING WELL AND WHO WASN'T. THE STRONG WERE CARRYING THE WEAK, BUT YOU COULDN'T TELL WHAT WAS GOING ON BECAUSE EVERYTHING WAS AGGREGATED. SO WE TORE IT APART AND SAID, OKAY, THIS UNIT WILL FLY THIS AMOUNT OF FLYING TIME; THESE ARE YOUR GOALS FOR THIS YEAR. THE UNIT COMMANDERS IN THE FIELD WERE GIVEN THE PREROGATIVE TO FLOW THE PROGRAM AS THEY CHOSE BY MONTH. IF THE UNIT WAS SUCCESSFUL AND FINISHED THE MONTHLY PROGRAM IN 29 DAYS, THE COMMANDERS WERE AUTHORIZED TO GIVE THEIR PEOPLE THE 30TH DAY OFF. THE CHALLENGE WAS TO GET THE PEOPLE TO UNDERSTAND WHAT'S IMPORTANT AND GET IT DONE. UTILIZATION RATES AND STATISTICS ARE OFTEN DIFFICULT FOR A YOUNG 18-YEAR-OLD AIRMAN TO IDENTIFY WITH. BUT IF YOU GET OUR WORK DONE, YOUR FLYING HOURS AND SORTIES ACCOMPLISHED, YOU GET A DAY OFF -- THAT'S MEASURABLE! I DON'T CARE IF YOU'RE A ONE-STRIPER OR A SIX-STRIPER, YOU KNOW THE DIFFERENCE BETWEEN A ONE-DAY, A TWO-DAY OR A THREE-DAY WEEKEND. NOW THE FIRST TIME THAT HAPPENED AND THE RED HATS FLEW THEIR PROGRAM AND TOOK THE DAY OFF, THE BLUE AND THE GOLD HATS WERE OUT THERE WORKING. THEY SAID, WHERE ARE THE RED HATS? THE AGS COMMANDER SAID, WELL, THEY GOT THEIR FLYING TIME IN AND THEY HAVE THE DAY OFF. AFTER THAT, WE DIDN'T HAVE TO WORK THE PROBLEM AGAIN. THE SERGEANTS' WIVES TOOK OVER, AND BLUE AND GOLD GOT WITH THE PROGRAM. THE RESULTS? IN THE LAST THREE YEARS EVERY UNIT HAS HAD A THREE-DAY WEEKEND EIGHT MONTHS OUT OF 12. IT TAUGHT US A GREAT DEAL ABOUT HUMAN MOTIVATION

AND THE AMOUNT OF UNTAPPED CAPABILITY THAT EXISTS IN A CENTRALIZED SYSTEM. GOALS. WE BELIEVE IN GOALS, GOALS, GOALS, AND IF YOU HAVE ANY GOOD IDEAS ABOUT GOALS, I'M INTERESTED AND WE CAN TALK LATER. WE BELIEVE THERE IS NO CORNER ON GOOD IDEAS. WE TAKE ANY GOOD IDEA WE CAN FIND AND USE IT, AND IMPROVE ON IT IF WE CAN!

CENTRALIZED SUPPLY



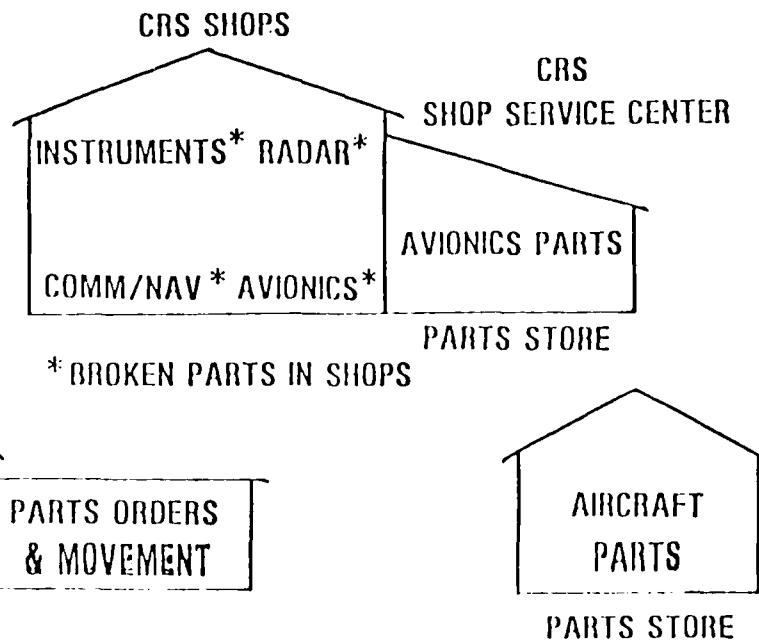
DECENTRALIZATION WORKED SO WELL IMPROVING OUR AIRCRAFT MAINTENANCE, WE LOOKED AROUND FOR OTHER OPPORTUNITIES. SUPPLY WAS A VERY FERTILE AREA BECAUSE IT WAS VERY CENTRALIZED. WE IMPLEMENTED THE COMBAT ORIENTED SUPPLY ORGANIZATION -- "COSO".

THIS CHART SHOWS ELEMENTS OF THE CENTRALIZED SYSTEM. SUFFICE TO SAY THAT THE CENTRALIZED BASE SUPPLY CONCEPT MAY HAVE SOUNDED GOOD IN THEORY AT SOME MANAGEMENT SCHOOL BUT IT DIDN'T WORK IN PRACTICE, ESPECIALLY FOR AIRCRAFT PARTS. ALL THE PARTS, AIRCRAFT AND OTHERWISE, WERE IN ONE PLACE -- ALL WERE HANDLED IN THE SAME WAY. LOTS OF CENTRALIZATION AND FUNCTIONAL SPECIALIZATION. LOTS OF PEOPLE INVOLVED IN EACH TRANSACTION. LOTS OF SCOREKEEPERS. "ONE SIZE FITS ALL." WRSK (WAR RESERVE SPARE KIT) WAS FENCED. YOU HAD TO DO A KABUKI DANCE TO GET A PART. WE ADMINISTRATIVELY TRIED TO SAVE SPARE PARTS FOR WAR. NOW ANYBODY INVOLVED IN FLYING AIRPLANES, WHETHER IT BE EASTERN AIRLINES, UNITED AIRLINES, OR THE JAPANESE SELF AIR DEFENSE FORCE, WILL TELL YOU THAT YOU CANNOT ADMINISTRATIVELY SAVE PARTS. IT IS A FUNCTION OF HOW MUCH YOU FLY THE PLANES. YOU CAN SAVE PARTS BY NOT FLYING, BUT THE TRADEOFF, OF COURSE, IS TRAINING AND READINESS. ANOTHER INTERESTING THING THAT

TELLS YOU SOMETHING ABOUT HOW WE THOUGHT ABOUT PURPOSE, THE AIRCRAFT - THE FLIGHT LINE - WAS JUST ANOTHER CUSTOMER. YOU CALLED SUPPLY AND ORDERED A TYPEWRITER, A FUEL PUMP FOR AN F-15, TOILET PAPER, OR SOME OTHER CONSUMABLE ITEM. SUPPLY TOOK THE ORDER AND FILLED EACH REQUEST ON A FIRST COME, FIRST SERVED BASIS.



COSO



THE CUSTOMER

NOW REMEMBER OUR BUSINESS IS FLYING AIRPLANES, SO WHAT DID WE DO? WE SIMPLIFIED AND DECENTRALIZED THE AIRCRAFT SUPPLY PART OF THE SYSTEM, AND MADE THE AIRCRAFT THE CUSTOMER. NOTHING VERY UNUSUAL ABOUT IT. WE TOOK PARTS -- AIRCRAFT PARTS -- OUT OF CENTRAL SUPPLY, PUT THEM IN A PARTS STORE ON THE FLIGHT LINE SO THAT THE PEOPLE FROM THE VARIOUS SQUADRONS COULD GO THERE, WALK IN, AND TALK DIRECTLY, PERSONALLY TO THEIR PARTS PEOPLE. THEY'D SAY, "WE NEED THIS KIND OF PART." THE SUPPLY PERSON WOULD TAP INTO HIS COMPUTER, LOCATE IT IN THE PARTS STORE AND HAVE IT IN NO TIME. EARLY ON THE SUPPLY PEOPLE WERE CONCERNED THAT THE SUPPLY PEOPLE ON THE FLIGHT LINE WOULDN'T LEARN ANYTHING ABOUT SUPPLY, BUT THEY'RE LEARNING MORE ABOUT THE SUPPLY SYSTEM AND DOING BETTER ON THEIR TESTING PROGRAMS THAN THEY WERE EVER DOING IN THE OLD SYSTEM. AGAIN, NO CORNER ON GOOD IDEAS. IN FACT, COSO'S EXACTLY THE SYSTEM WE USE FOR PARTS IN OUR MOTOR POOLS. IF A FUEL PUMP IS NEEDED FOR ONE OF THE UNIT'S VEHICLES, YOU GO TO THE PARTS STORE LOCATED IN THE MOTOR POOL AND ASK FOR WHAT YOU NEED. THE PARTS MANAGER CHECKS AND SAYS, YES, I HAVE ONE - HERE IT IS -- OR NO, I DON'T HAVE ONE AND PUTS IN AN ORDER. YOU GO BACK AND WORK ON SOMETHING ELSE.



COSO RESPONSE TIMES

- MEASURE THE ELAPSED TIME FROM TIME OF ORDER TO TIME OF ISSUE
- PRE-COSO COMMAND AVERAGE
 - ● 1½ HOURS FROM PEACETIME OPERATING STOCKS (POS)
 - ● 3½ HOURS WHEN PART CAME FROM WRSK
- COSO - COMMAND AVERAGE (FY 2/84)
 - ● 10 MINUTES -- IMPROVED BY A FACTOR OF 9 (AND 21 FOR WRSK)
- "PERIOD OF UNCERTAINTY" HAS BEEN REDUCED
 - ● REMOTE DEVICE IN THE AMU PROVIDES STATUS IN 3 TO 5 MINUTES
 - ● IF PART IS AVAILABLE, THE TECHNICIAN KNOWS IT IMMEDIATELY AND GETS IT
 - ● IF NOT AVAILABLE, HE/SHE CAN DECIDE ON THE NEXT COURSE OF ACTION

NOW ALL THIS IS FINE, BUT DOES IT WORK? HOW WELL DO WE DO WITH COSO? IF WE USED AS A MEASURE OF MERIT THE ELAPSED TIME FROM WHEN A PART IS ORDERED TO WHEN IT IS ISSUED, WE FIND BEFORE COSO IT TOOK AN HOUR AND A HALF TO GET A PART FROM THE PEACETIME OPERATING STOCKS AND THREE AND A HALF HOURS FROM WRSK. BUT WITH COSO, THIS CHART SHOWS WHAT HAPPENED -- 10 MINUTES! THAT'S IMPROVEMENT. WE ALSO THINK THAT REDUCING THE PERIOD OF UNCERTAINTY ON THE PART OF A CREW CHIEF IS KEY AND IT IS -- THEY'RE HAPPIER BECAUSE OF IT.

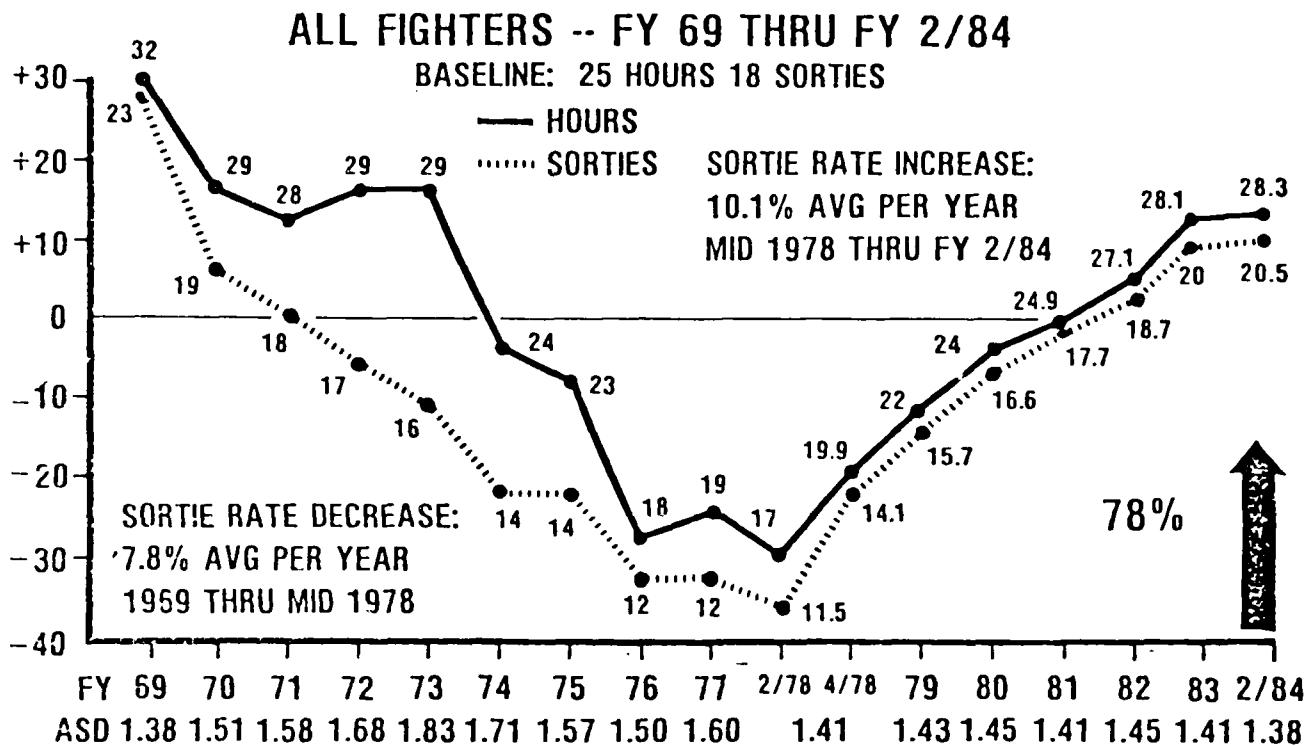
THE "COMO" APPROACH

- "IREP" DECENTRALIZED AUTHORITY/RESPONSIBILITY IN AVIONICS SQUADRONS; REPAIR PARTS MOVED TO AVIONICS PARTS STORE; ALL BROKEN PARTS IN THE SHOPS NOT IN CENTRALIZED "RACC"; NEW SYSTEM OF GOALS AND COMPETITION; SHOP CHIEFS HAVE THE POWER AND RESPONSIBILITY (ASSET MANAGER)
- GREATER STRESS ON TRAINING AT ALL LEVELS
- MAINTENANCE AND SUPPLY "SCHOOL" FOR WING CC'S, CV'S, DCM'S, ETC.
- EVERYONE GIVEN A DIRECT STAKE IN OUTCOME; REWARDS FOR SUCCESS; PENALTIES FOR FAILURE
- OPERATE IN PEACE AS WE WILL IN COMBAT; NEED NOT REORGANIZE TO GO TO WAR AS WITH 66-1

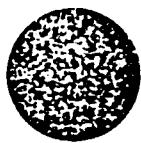
IN ADDITION TO COSO, WE INSTITUTED IREP OR INTERMEDIATE REPAIR ENHANCEMENT PROGRAM. WHAT WE TRY TO DO IS FIX SOMETHING THAT IS BROKEN ON THE EQUIPMENT, I.E., ON THE AIRPLANE. IF WE CAN'T FIX IT THERE, WE WANT TO FIX IT AS CLOSE TO THE AIRPLANE AS POSSIBLE. IF WE DON'T HAVE THE SKILL OR THE TEST EQUIPMENT AND IT CAN'T BE FIXED ON BASE, WE THEN SEND IT BACK TO A DEPOT. OBVIOUSLY, THE CLOSER TO THE AIRPLANE WE CAN FIX IT THE BETTER.

WE STRESSED TRAINING AT ALL LEVELS, BOTH THE PEOPLE WHO WERE USING THE PARTS AND THE PEOPLE WHO WERE SUPPLYING THEM. WE PROVIDED SCHOOLS FOR EVERYONE. YOU CANNOT ASSUME THAT SOMEONE WHO HAS BEEN AROUND SOME FIVE, 10, 15 YEARS AUTOMATICALLY KNOWS THEIR JOB, UNDERSTANDS THE PHILOSOPHY, AND KNOWS HOW TO MAKE IT HAPPEN. IN FACT, MOST BOOKS ON MANAGEMENT DISCUSS THE "WHAT" BUT NOT "HOW" OF THINGS. SO WE DO A LOT OF TALKING ABOUT THE "HOW" SO THAT PEOPLE UNDERSTAND "WHAT" AND "HOW"! IF AFTER INITIAL TRAINING, THEY DON'T GO BACK AND PUT WHAT WE THOUGHT WE TAUGHT THEM TO WORK, WE BRING THEM BACK AND GO THROUGH IT AGAIN STEP BY STEP. PERSISTENCE AND PATIENCE COUNT! NOW, A DIRECT STAKE IN THE OUTCOME -- A DAY OFF. REWARDS FOR SUCCESS AND PENALTIES FOR FAILURE ARE IMPORTANT. IF YOU DON'T GET YOUR PROGRAM DONE IN 29 DAYS, YOU WORK 30 -- YOU WORK ON SATURDAY. IT'S AMAZING HOW THAT MOTIVATES PEOPLE. OF COURSE, HERE'S THE BOTTOM LINE AGAIN -- WE OPERATE THIS WAY IN WARTIME. THIS IS THE ONLY REALISTIC WAY FOR US TO DO BUSINESS.

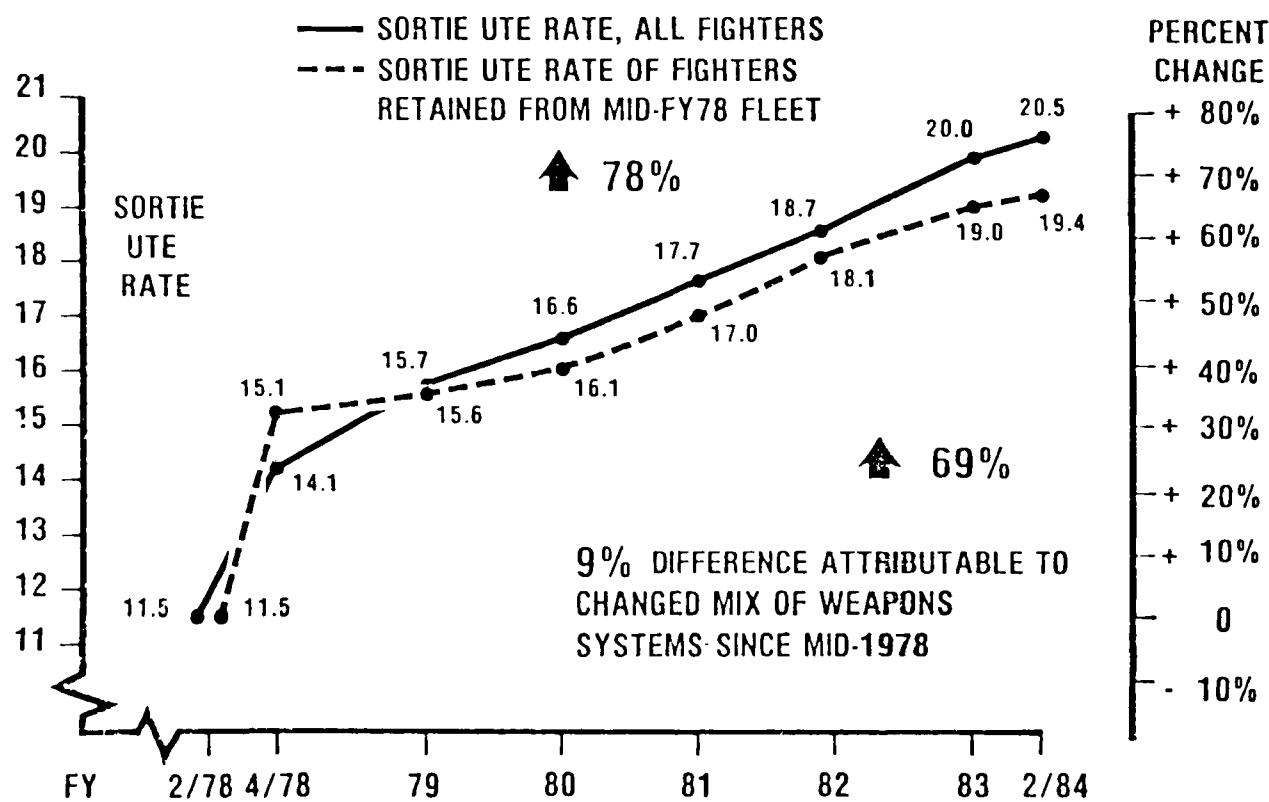
PERCENT CHANGE IN UTILIZATION RATES



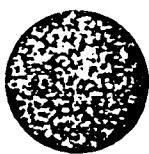
THIS CHART SHOWS WHAT HAS HAPPENED TO THE "SLIPPERY SLOPE." LOOK AT THE CHANGE SINCE 1978, BUT REMEMBER IT DIDN'T HAPPEN IMMEDIATELY. IT WAS A REVOLUTIONARY CHANGE ACCOMPLISHED IN AN EVOLUTIONARY WAY. WE WORKED HARD AT IT AND TODAY WE'RE UP 78 PERCENT. WE'VE IMPROVED 10 PERCENT PER YEAR, AND WE'RE STILL CLIMBING. WHAT DOES THIS INCREASE IN PRODUCTIVITY MEAN?



THE IMPACT OF NEW WEAPONS SYSTEMS ON TAC SORTIE PRODUCTIVITY

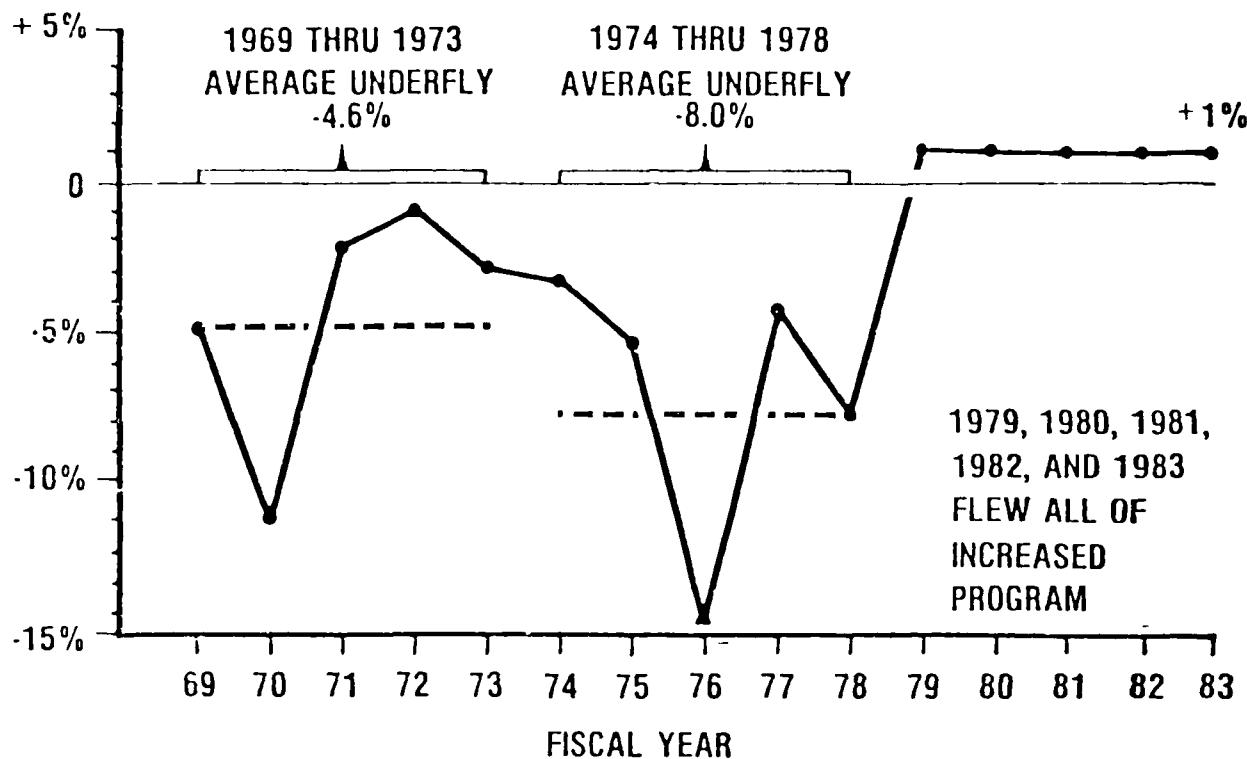


WELL, SOME WOULD SAY YOU'VE HAD THIS MODERNIZATION PROGRAM, GENERAL KELLEY, WHAT IMPACT HAS THE NEW AIRPLANES HAD ON THIS PROGRAM? WELL, THE NEW AIRPLANES HAVE HELPED, BUT NOT IMMEDIATELY. IN FACT, IF YOU QUANTIFY IT, THE EARLIER AIRCRAFT - PRIMARILY F-4'S - CONTRIBUTED 69 PERCENT AND THE NEW AIRPLANES CONTRIBUTED ABOUT NINE PERCENT. YOU MUST REALIZE WHEN YOU FIRST BRING A NEW AIRCRAFT INTO THE INVENTORY THEY HURT YOUR STATISTICS BECAUSE YOU'RE LEARNING HOW TO MAINTAIN THEM.



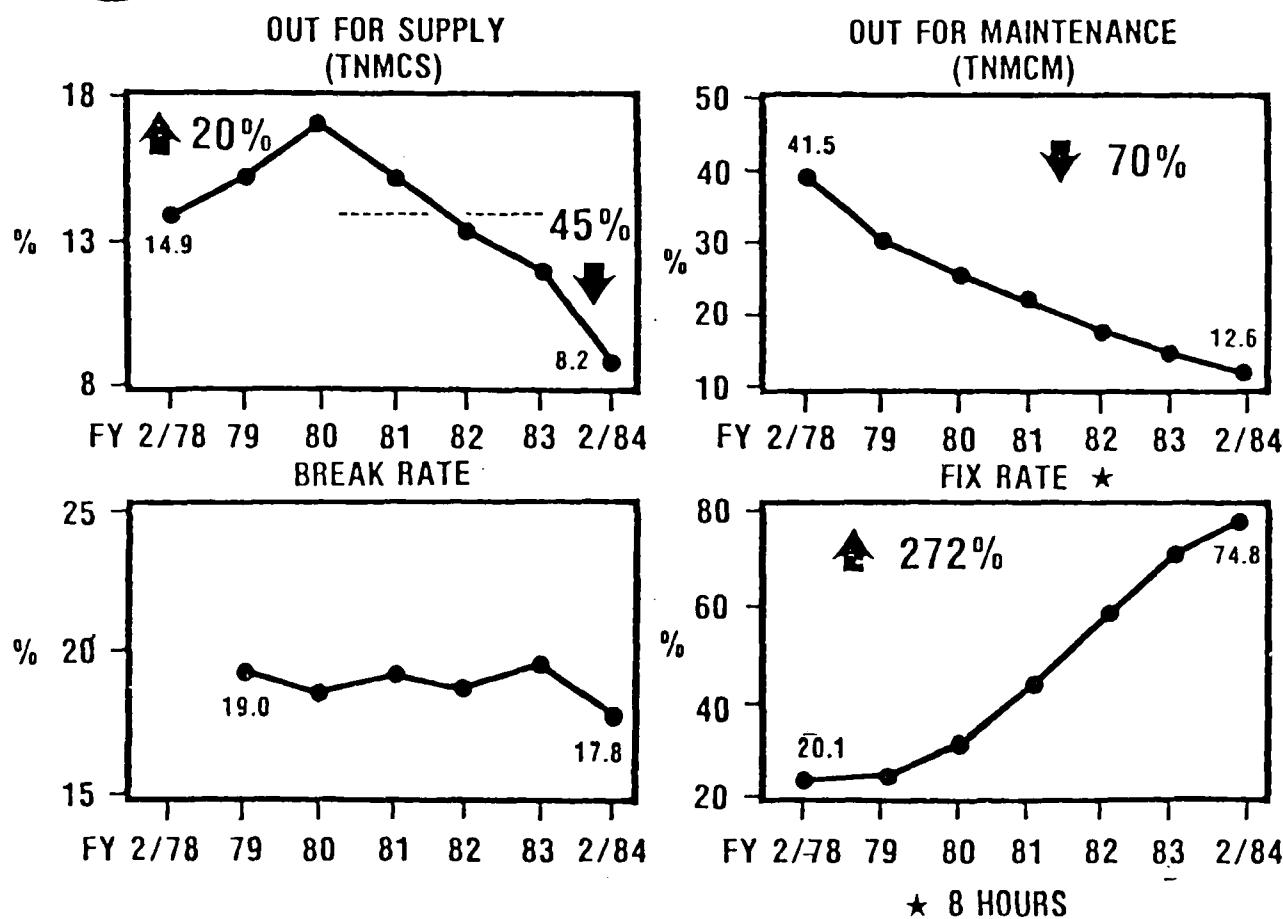
PERCENT DEVIATION FROM PROGRAMMED FLYING HOURS

ALL TAC FIGHTERS



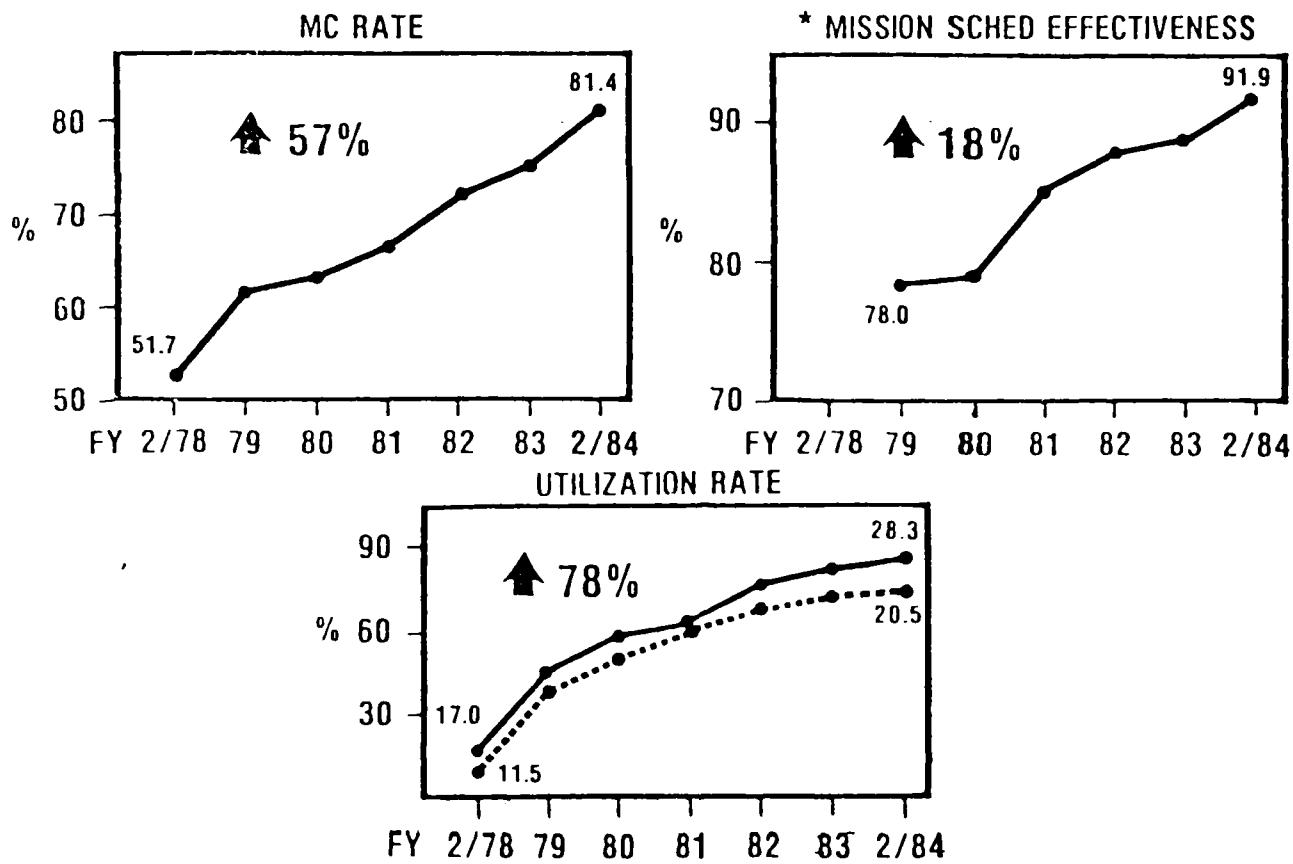
HERE'S THE CHART I SHOWED EARLIER ON UNDERFLY. IT SHOWS WHAT HAPPENS WHEN YOU SET GOALS. EVERY YEAR SINCE 1979 WE'VE FLOWN OUR FLYING HOUR PROGRAM - AND FIVE DAYS BEFORE THE END OF THE YEAR AS GENERAL CREECH REQUESTED. ACTUALLY WE FLEW ONE PERCENT OVER THE GOAL JUST FOR INSURANCE PURPOSES.

ALL OPERATIONAL FIGHTERS MAINTENANCE INDICATORS



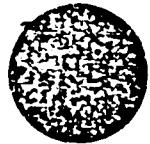
WHEN YOU LOOK AT OUR INCREASED PRODUCTIVITY IN OTHER TERMS - OTHER MEASURES OF MERIT - SUCH AS SUPPLY, YOU'LL NOTE THAT OUR RATES GOT WORSE BEFORE THEY GOT BETTER. IN FACT, THE TNMCS RATE WENT UP IN 1980. PEOPLE FIX AIRPLANES. THAT MEANS TRAINING, THAT MEANS SUPERVISION, THAT MEANS QUALITY CONTROL, THAT MEANS MAKING IT HAPPEN. WE USE MANY MEASURES OF MERIT. BREAK RATE IS AN IMPORTANT ONE. IT MEASURES THE RATE OF AIRCRAFT THAT COMPLETE A SORTIE BUT MUST BE FIXED BEFORE IT FLIES AGAIN. NOTICE THIS RATE WAS ABOUT LEVEL UNTIL JUST RECENTLY WHEN IT DROPPED TO 17.8. BUT! LOOK AT THE FIX RATE. WE TRACK THIS RATE AT TWO, FOUR, SIX, EIGHT, 12 AND 24 HOURS. EIGHT HOURS IS IMPORTANT BECAUSE THAT'S IN TIME TO FLY THE NEXT DAY. LOOK AT THAT RATE -- UP 272 PERCENT! HOW WOULD YOU LIKE TO BE ABLE TO REPORT THAT TO YOUR BOSS.

ALL OPERATIONAL FIGHTERS MAINTENANCE INDICATORS

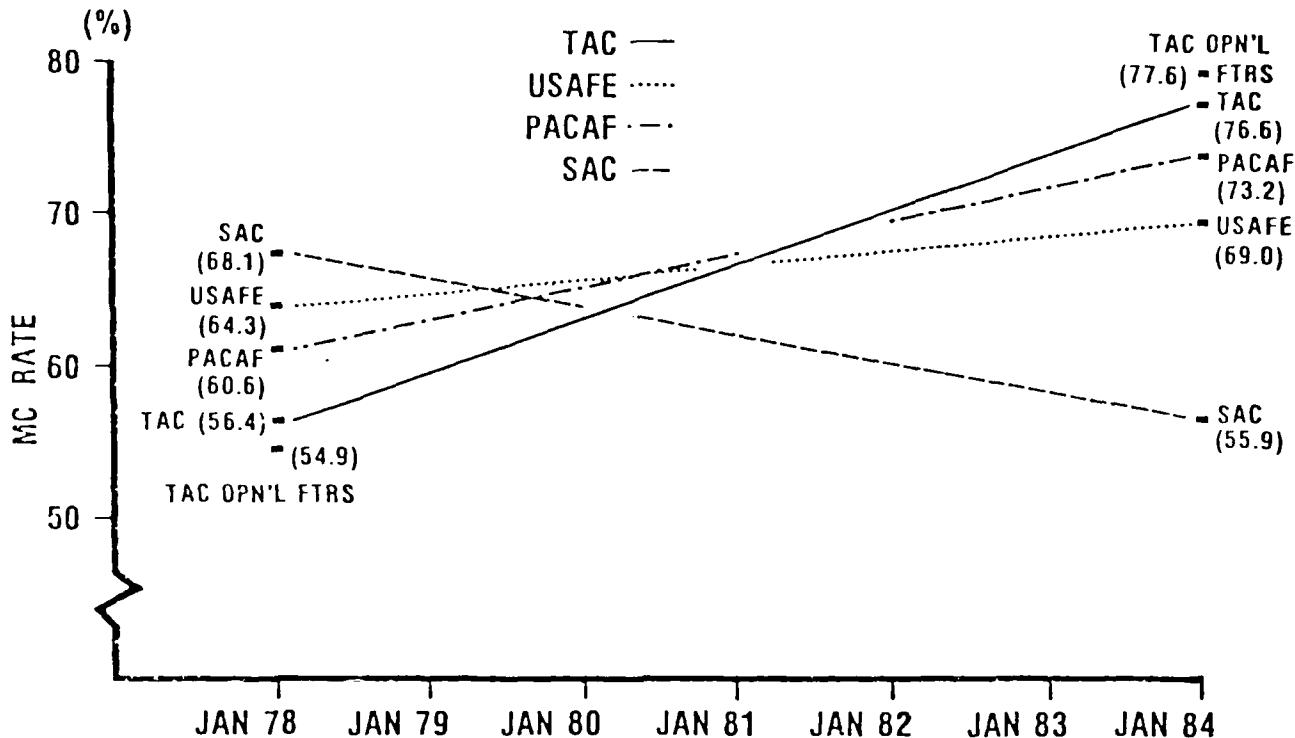


* ALSO, RULES GOT TOUGHER IN FY79 (NO "FREE" CHANGES, ETC)

WHEN YOU LOOK AT IT IN TERMS OF MC RATE - UP 57 PERCENT. SCHEDULING EFFECTIVENESS UP OVER 90 PERCENT AND OUR RULES GOT TOUGHER EVERY YEAR. ONE WING WAS OVER 90 PERCENT EVERY MONTH LAST YEAR. THAT MEANS THE SCHEDULE THEY PUT TOGETHER LAST WEEK WAS FLOWN AS ORIGINALLY PREPARED OVER 90 PERCENT OF THE TIME. OUR UTILIZATION RATE IS UP 78 PERCENT IN TERMS OF SORTIES AND HOURS. NOW HOW DO WE COMPARE THESE RESULTS WITH OTHER COMMANDS BECAUSE WE'RE JUST ONE PART OF THE AIR FORCE? 116,000 TAC PEOPLE IN AN AIR FORCE OF 602,000.



MC TRENDS: TAC, SAC, PACAF AND USAFE



SOURCE: AVISURS, INCLUDES ALL AIRCRAFT

AS YOU CAN SEE FROM THIS CHART, WE'VE GONE FROM WORST TO BEST! USAFE AND PACAF ARE DIRECT COMPARISONS - THEY'RE IN THE SAME KIND OF BUSINESS. STRATEGIC AIR COMMAND, WHICH WAS BEST AND IS THE MOST CENTRALIZED, HAS SLIPPED TO LAST.

service. One potato chip company, for example, prides itself on meeting its delivery schedules - every day - regardless of weather or any other limiting factor. As a result, their product is usually fresher than their competitors and, equally important, relations with their outlets are at the highest possible level. Those relations mean advantageous display areas, good customer relations, and more sales.

Now, potato chips and the national defense mission may seem pretty far apart. And we recognize that what works in a private business may not necessarily work in national defense. But there is clearly a tendency to centralize in big organizations; and that's the problem with which the Model Installations program is trying to deal.

Here is a second finding from In Search of Excellence: "The innovative companies foster many leaders and many innovators throughout the organization. They are a hive of what we have come to call champions; (these companies) don't try to hold everyone on so short a rein that he can't be creative. They encourage practical risk taking, and support good tries. They follow Fletcher Byrom's 9th commandment 'make sure you generate a reasonable number of mistakes.' "

The limitations of this approach are clear in that quotation - limitations, at least, in its applicability to national defense. We cannot be satisfied with "good tries" and we can't live with too many mistakes. But we can make every effort to make sure that, organizationally, our installation commanders have as full authority as possible to accomplish their difficult tasks.

Fifteen military installations are participating in the Model Installations program. All four armed services are involved and, within each service, the bases represent a wide range of

Throughout their careers, military members and employees are faced with new challenges - and new training opportunities to prepare them for those challenges.

The third thing we must do is to develop specific management initiatives. Let me focus your attention for a moment on one such program, called Model Installations. This is a Department of Defense-wide program designed to make military bases a better place to live and work. As I mentioned earlier, in the DOD, as in all large organizations, authority tends to gravitate to the top. We must continually work to keep the authority to make decisions at the lowest possible level. Any other course is wasteful of taxpayers' money.

The goal of the Model Installations program is to give our managers, such as wing commanders, more flexibility in managing resources. If there are limitations on that flexibility that cannot be justified, we need to eliminate them and permit the commander on the spot to make the final decisions.

Some of the thinking that led to the Model Installations program is the same as that found in the management text In Search of Excellence; which many of you probably have read. You will recall that the authors identified some of the most successful companies in the United States and studied them in detail. They hoped to identify common managerial practices and procedures which might apply to other companies.

Here is one of their findings: "The excellent companies are both centralized and decentralized. For the most part. . . they have pushed autonomy down to the shop floor or product development team. On the other hand, they are fanatic centralists around the few core values they hold dear." The core values referred to may be product reliability, or rapid or dependable

management training. Some years after that, a number of officers will attend a War College for another ten month training session.

A similar system exists for enlisted personnel. Three management-oriented programs for enlisted members - the NCO Leadership School, the NCO Academy, and the Senior NCO Academy - will graduate more than 28,000 students this year. A school which is presented earlier in an enlisted career - primarily in the second or third year of service - devotes less time to management matters, but will provide initial professional military training to more than 40,000 AF members this year. Similar training programs - for officer and enlisted personnel - exist in all the armed services.

If I had brought along the list of courses available for civilian employees, you would have thought it was a college catalogue. As with officers and enlisted members, the training is conducted at different times during the career - for civilians, the Federal Executive Institute ranks near the top of educational opportunities.

Within particular career fields, additional management training is provided. Let me give you one example. Three or four times a year, I speak to the Professional Manpower and Personnel Manager's Course at Maxwell AFB, Alabama. The course consists of Air Force personnel experts - both military and civilian - who are upgrading their managerial skills.

Finally, we have specialized training for specific jobs. For example, the Air Force conducts special training for new base commanders - those people who will be facing many of the problems I have already described. Much of the curriculum of that program is devoted to specific training for the specific managerial problems which have been identified as most demanding for these commanders.

It wasn't too long ago that you could hardly avoid reading articles about the low educational levels of the men and women of our armed forces. The force was described as too dumb to fight. You don't see many of those stories any more. I don't know whether the situation was ever as it was described, but I do know what is happening now. Education levels are rising, and we are retaining a larger percentage of those persons whom we must have to accomplish the mission - the most highly trained technicians who can leave military service and transfer their skills to more remunerative civilian activities. FY 83 was the best recruiting and retention year the Air Force ever had. First term reenlistments rose to an all-time high of 66 percent compared to 36 percent in FY 80. If FY 79 continuation rates had persisted, three out of every four pilots in the 6 to 11 year group would have left us. If present trends continue, we will reverse that 1979 figure and keep more than three of four pilots.

The first requirement to manage military installations efficiently is good people - we are getting them and we are keeping them.

The second requirement is that we train these people properly. The armed forces have long been national leaders in training. There are many Americans who built full and productive lives on the training they received while they were in military service. A substantial part of that training is in management. For example, Air Force officers have at least three career points at which they are provided an expanded training opportunity. Squadron Officers School provides lieutenants and captains the opportunity to get a heavy dose of leadership and management training. Some years later, many officers will attend Command and Staff College, either in the Air Force or in another service, for ten months of education including a substantial amount of

With this background in mind, let me suggest to you that to manage military installations efficiently, you must do four things:

First, you must attract and retain highly competent and dedicated people - people who know how to manage or can be taught to manage, and people who can follow instructions.

Second, you must develop training programs for those people, and place those training programs at points throughout their careers so that they obtain new training and education as they rise to new responsibilities.

Third, you must develop specific management initiatives designed to promote efficient management.

Fourth, you must recognize that "efficiency" as defined in a for-profit business and "efficiency" as defined in an organization which must be prepared to defend the nation are not, necessarily, the same thing.

Let me talk for a moment about each of these points. First, we must attract and retain highly competent and dedicated people. We are doing just that. Ninety-nine and one half percent of all Air Force line officers have at least a bachelor's degree and almost 40 percent have at least one graduate degree. One and one-half percent have doctorate or professional degrees. And these figures do not include physicians and attorneys.

On the enlisted side, 99 and one quarter percent are high school graduates. More than one in four have completed some college work.

This is in a force approximating 600,000 people.

time, been characterized by this type of organization. The tendency to centralization has been made more pronounced by the advent of superior communications capabilities. Such capabilities permit almost instantaneous communication between a military member on the ground and a senior commander miles - or oceans - away. In organizations where there was already a tendency to centralize, modern communications has made that tendency a reality.

The conflicting theory is that organizations should be decentralized - that each individual and unit should be encouraged to manage their particular efforts in the best possible manner. That idea rests on the theory that the individual on the spot is in the best situation to make the final decision. Historically, military forces - especially in wartime - have tended to be managed in this way.

Thus, in any large organization, there is a continuing effort to place responsibility and authority at the optimum level. In trying to determine what is the optimum level, we must keep in mind a second point.

The second point is this: what works in one location will not always work in every location. Just as in private business you must adjust to the local market, military installation commanders are faced with different problems in different locations. These problems may be as simple as learning to deal with different climates or as complex as learning to deal with different foreign governments. But it is important not to make the mistake of assuming that what works for one base - in one service - with one mission - is automatically going to work at another base with different responsibilities.

As a general rule, then, our goal is to place authority at the lowest possible level.

themselves having to operate with less tax income but provide the same level of services - they should have contacted an Air Force base commander, or an Army, Navy or Marine Corps officer in that function for advice - such officers have been doing that for years. Finally, the installation commander tries to keep on good terms with the larger community within which his or her small town is located - just as your mayor tries to maintain good relations with citizens of your city.

But in addition to all of those responsibilities, the commander has another - and overwhelmingly more important - responsibility. He or she must be prepared to go to war. This fundamental requirement imposes substantive managerial requirements, as we shall see.

I am going to suggest to you this morning some basic requirements that the services must meet in order to assure that they are managing military installations efficiently. Before we do that, however, there are two points that must be borne in mind in this discussion and in the questions and answers that I hope will follow.

The first point to bear in mind is this: In any large organization, there is a continuing effort being made to determine the level at which management authority should be located. By that I mean determining the relationships between central headquarters and field headquarters, and between headquarters and units. Two conflicting theories and tendencies must be balanced. The first managerial theory is that consolidation is cost effective. This theory holds that the more you put together functions which are alike, the more efficiently you will manage. Organizations structured that way tend to receive their direction from the top and tend to be characterized by a large number of rules and regulations. Historically, the military services have, from time to

MANAGING MILITARY BASES EFFICIENTLY
BY
KAREN R. KEESLING
PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(MANPOWER, RESERVE AFFAIRS AND INSTALLATIONS)

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 18, 1984

I want to talk to you this morning about an American institution - the small town. Many of us have come from such small towns. From Grover's Corners in Thornton Wilder's Our Town to Walnut Grove in Little House on the Prairie, the small town is a basic part of American mythology. I am going to tell you about a series of small American towns - scattered throughout all fifty states and in more than a dozen foreign countries. These small American towns are just like the town or city in which you live - there are fire departments and first aid stations - housing areas and a hardware store - churches, schools and offices. They are just like your city or town, except that their reason for being is to prevent war - or, if necessary, to fight a war.

I am referring, of course, to military installations. In addressing the subject of Managing Military Bases Efficiently, I think it helps to think of these installations as small towns because it illustrates the scope of the problems faced by military managers.

Consider, for example, the responsibilities which face a military installation commander. He or she must fight fires and prevent crime or perhaps run a school for dependent children. The commander may run a retail department store - called a base or post exchange - and a grocery store - called a commissary, and is responsible for churches and traffic control and youth athletic programs. The commander has to see that people get paid and that facilities are maintained and that medical care is always available.

In many respects, the commander is faced with exactly the same problems your mayor or city manager faces, including limitations on resources and having to learn to do more with less. You know, in recent years many communities and states have found

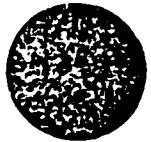


KAREN R. KEESLING
PRINCIPAL DEPUTY ASSISTANT SECRETARY
OF THE AIR FORCE
(MANPOWER, RESERVE AFFAIRS AND INSTALLATIONS)

READINESS IS OUR PROFESSION

I'M HAPPY TO REPORT THAT TACTICAL AIR COMMAND IS READY TODAY AND MORE READY THAN EVER BEFORE IN OUR HISTORY. THE CREDIT GOES TO ONE MAN -- GENERAL BILL CREECH, A LEADER WITH VISION AND COURAGE -- HE MADE IT HAPPEN! HE INSTILLED IN US A WHOLE NEW SPIRIT OF LEADERSHIP. IF YOU GO OUT AND TALK TO THE MEN OR WOMEN ON THE FLIGHT LINE WHO ARE WORKING THE PROBLEM WHERE THE RUBBER MEETS THE RAMP. THEY'LL BE TALKING IN THE SAME TERMS AS THEIR WING COMMANDER. THEY'LL TALK ABOUT THEIR GOALS, MAKING IT HAPPEN, MAKING IT BETTER, AND MAKING IT LAST. THEY HAVE PRIDE AND THEY UNDERSTAND PURPOSE. BELIEVE ME, IT CAN BE DONE.

THANK YOU VERY MUCH.



ORGANIZATIONAL CHARACTERISTICS

CENTRALIZED (CONSOLIDATED)

AUTHORITY & RESPONSIBILITY ↑

NO COMPETITION

FOCUS ON INPUTS

DEHUMANIZED

VERTICAL

DECENTRALIZED

AUTHORITY & RESPONSIBILITY ↓

COMPETITION

FOCUS ON OUTPUTS

HUMANIZED

HORIZONTAL

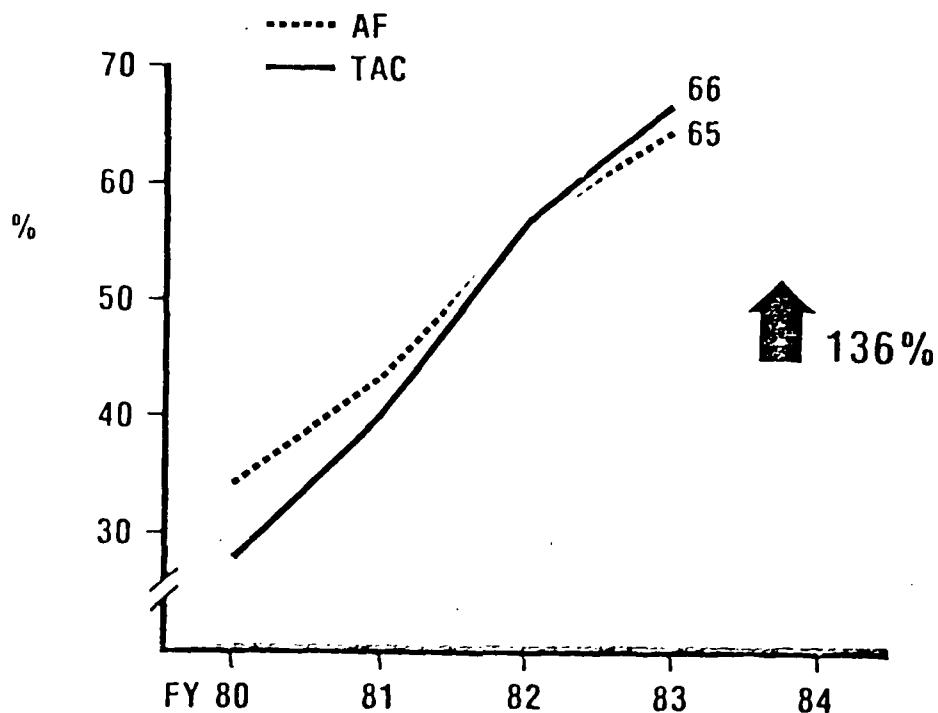
THAT'S THE TAC STORY AND "A" WAY TO IMPROVE DEFENSE MANAGEMENT. LINK AUTHORITY AND RESPONSIBILITY; DECENTRALIZE TO THE LOWEST FEASIBLE LEVEL. PROMOTE MEANINGFUL COMPETITION THAT RELATES TO OUTPUT. COMPETITION HELPS TO MOTIVATE PEOPLE. PEOPLE WANT TO KNOW HOW WELL THEY'RE DOING. FOCUS ON THE OUTPUTS. CENTRALIZED SYSTEMS FOCUS ON THE INPUTS AND ACTIVITY, AND THEY JUST DON'T HACK IT. GOALS AND OUTPUTS -- THEY'RE THE KEYS. UNDERSTAND PEOPLE AND UNDERSTAND HUMAN NATURE -- AND FIND WAYS TO HUMANIZE YOUR ORGANIZATION. TREAT PEOPLE WITH DIGNITY. DEVELOP A SYSTEM THAT APPLIES TO YOUR WORK OR ACTIVITY, TEACH THAT SYSTEM AND IMPROVE ON IT AS YOU GO ALONG. IT SOUNDS SIMPLE -- IT IS, BUT IT TAKES LEADERSHIP WITH VISION, PATIENCE AND PERSISTENCE. WE'VE BEEN LUCKY IN TAC -- WE'VE HAD SUCH A LEADER IN GENERAL CREECH!

Make it **LAST**

WELL, WE HAD A CHALLENGE, BUT WE'VE GOTTEN OUR ACT TOGETHER,
WE'VE COMMUNICATED WELL. WE'VE TURNED VISION INTO ACTION.
WE MADE IT HAPPEN, WE MADE IT BETTER, AND NOW OUR CHALLENGE
IS TO MAKE IT LAST.



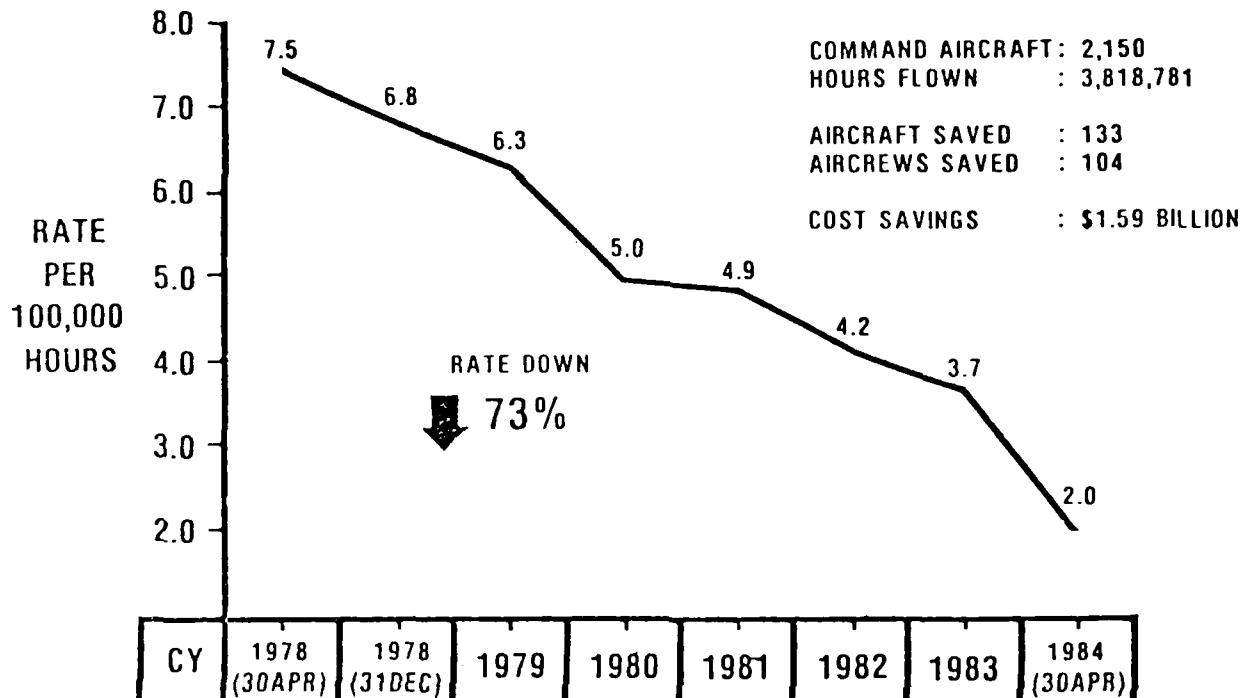
ENLISTED RETENTION -- FIRST TERM CUMULATIVE RATES FY 80 - 84



WHAT ABOUT OUR PEOPLE? THEY'VE BEEN WORKING VERY HARD -- BUT THEY LIKE IT BECAUSE THEY CAN SEE RESULTS, POSITIVE RESULTS, MEASURABLE RESULTS! TRADITIONALLY, THE OPERATING COMMANDS IN THE AIR FORCE -- AS FAR AS RETENTION IS CONCERNED -- ARE BELOW THE AIR FORCE AVERAGE. LAST YEAR, FOR THE FIRST TIME IN THE HISTORY OF THE AIR FORCE, TACTICAL AIR COMMAND WENT ABOVE THE AIR FORCE AVERAGE -- AND YOU CAN SEE WHERE WE'VE COME SINCE 1978. THERE'S A POINT THAT NEEDS TO BE MADE HERE BECAUSE SOME MIGHT SAY WELL, GOOD, WE CAN CUT YOUR BUDGET. WHY NOT CUT THE BUDGET? WE'RE CONCERNED WHEN WE HEAR PEOPLE TALK LIKE THAT BECAUSE WE'VE SEEN A DROP IN FIRST TERM RETENTION OF ABOUT 10 PERCENT AT NEARLY EVERY BASE IN THE LAST QUARTER. WE THINK IT MAY BE A TREND -- THE IMPROVED ECONOMY IS, OBVIOUSLY, A FACTOR. BUT OTHER FACTORS -- ALL THE TALK ABOUT PAY, ABOUT CUTTING RETIREMENT BENEFITS -- THEY MATTER. PEOPLE DESERVE TO BE PAID A FAIR WAGE FOR THE WORK THEY DO. OUR PEOPLE HAVE BEEN EARNING THEIR PAY!

TAC MAJOR MISHAP RATE

LAST SIX YEARS



NOTE: TRAINING REALISM WAS INCREASED SUBSTANTIALLY DURING THIS SAME PERIOD -- THUS INCREASING THE RISK

WHAT ABOUT QUALITY? ONE QUALITY MEASURE OF MERIT IS SAFETY. SIX YEARS AGO, ON 1 MAY 1978, THE ACCIDENT RATE IN TAC WAS 7.5. THAT WAS NOT CONSIDERED OUTRAGEOUS AS FAR AS FIGHTER AVIATION IS CONCERNED. HOWEVER, 1 MAY 1984 THAT RATE WAS DOWN 5.5 PERCENT TO 2.0 -- DOWN 73 PERCENT. WHAT DOES IT MEAN? IT MEANS THAT WE DID NOT LOSE 133 AIRCRAFT? WE DID NOT KILL 104 PEOPLE. IT MEANS WE SAVED THE AMERICAN TAXPAYER \$1.59 BILLION.

missions. In the Air Force, for example, the bases are from different major commands; they support different weapons systems; and they have different responsibilities. This three year program began in January 1984 and, thus far, some 200 areas have been identified where management might be made easier. As we begin to gather more data in this test, we will be able to see which lessons can be expanded to the entire Air Force and to the entire Department of Defense.

Model Installations is simple: let a commander run his or her base. The commander's job is to strive for excellence, and to try new methods even though some may fail. The model bases will be able to use any savings from their new ideas to improve facilities and services for their people. The job of headquarters is to let the model commander try his or her new ideas, and to spread word of results to other commanders.

A second current program designed to improve efficiency is the promotion of competition. One aspect of this promotion of competition applied, for example, to some 600 housing managers throughout the Department of Defense. Each manager was advised how his or her management, in certain specified, measurable ways, compared with peers throughout the Department of Defense. There are a variety of such programs which can be implemented. A second area of competition concerns Office of Management and Budget Circular A-76. Simply stated, A-76 increases the amount of competition in contracting out jobs by requiring the services to compute their own costs in performing a service and compare that cost to the contractor's bid. Where we find that a contractor can provide a service cheaper, and the ability to provide the service is not critical to wartime requirements, we go with the contractor. An important point is that the process itself has required us to have a better understanding of exactly what it costs to provide a service. Thus, in the process of determining

whether we should contract out some functions, we have increased efficiencies in the very functions under study.

For example, in over 900 A-76 competitions involving more than 30,000 jobs during the past five years, costs have been reduced 27% - regardless of whether the government retained the activity or it was contracted out. In short, the simple exposure to competition forced efficiencies.

As A-76 has expanded competitive opportunities to DOD suppliers, it has also created new opportunities for American business. While it is true that the Department of Defense buys many highly specialized items that can be produced by only a limited number of suppliers, it is equally true that we buy enormous amounts of common items which can be supplied by many companies. Expanded opportunity for more participation by suppliers can mean, at the same time, more efficient management for us.

A third management initiative is the Commander-in-Chief's Award for Installation Excellence. This program, originated in the White House and the Department of Defense, will select, annually, one installation from each armed service for this award. In his message announcing the competition, the President said: "...(I)t is my challenge to you to seek out the most imaginative and innovative solutions to the many complex problems you face. I am confident that this search for excellence and innovation will yield many new and better ways of accomplishing our mission and at the same time honor those whose dedication has produced the best defense organization in the world."

These, then, are some of the specific initiatives currently being pursued.

We have discussed the requirement to obtain good people and to train them well and to provide specific initiatives. We must remember, fourth, the special nature of military installations - they must perform their day to day activities and be prepared to go to war. Therefore, we must define efficiency in a different way. We must preserve our ability to perform a function, even during those periods where the particular function is not being performed - or is being performed in a different way.

Let me give you three examples of what I mean. Consider military police functions performed on a military installation. These functions may involve, for example, physical security, traffic control, crime prevention - all of the responsibilities of a small town or city police force.

Why don't we simply hire civilian guards? It might be that some of those responsibilities could be performed cheaper by such a civilian force. But our military police - like all military members - have a dual responsibility. When our forces deploy - on an exercise, or in the event of war - military police deploy with them and provide a variety of security functions, including ground combat. You can't do that with a civilian force - and you must train for that responsibility, even when your daily duties involve simple, civilian-like activities.

A second example is chow halls, or dining facilities as we now call them. Should we be in the food preparation business? Is it possible that, at a particular base under a particular set of circumstances, we should turn that over to a civilian contractor? Perhaps. But when military units deploy around the world in exercises - in the deserts in Egypt or in the jungles of Central America - we cannot rely on a contractor. We must be able to feed our people. And that requires us to be in the food service business - all the time.

A third example is medical care. Perhaps in no other area is the distinction clearer between what Clausewitz was talking about when he distinguished between "war proper" and "preparation for war." The Air Force medical service has, over the last few years, stressed this concept. Dentists, for example, have been trained in emergency room techniques - and in techniques of triage. Triage is the process of sorting wounded persons according to the severity of injury to assure that emergency care is provided in the best way. Now, we might be able to contract with civilian dentists to do routine dental care - but we could not take them with us when we deploy. Or we could put our people in a civilian-like dental plan to provide that service. But in our other responsibility - our wartime responsibility - that solution will not work. Your Blue Cross-Blue Shield card is of very little use on the battlefield.

There are some very good reasons why we must spend your money efficiently. But we must be sure we retain full capability to perform our primary mission. Subject to that limitation, let me tell you why "efficiency" is so important to our activities.

All Americans are directly affected by the way in which we manage our installations - affected in at least three ways.

First, the money that we spend in this management effort is not our money - not the government's money - not the Air Force's money; it is the taxpayers' money. And military members are taxpayers too. It is money that has already been earned by someone's thought, effort and sweat. Because it is money that is already earned, it takes on a special quality - and we who spend it have the highest possible responsibility to spend it wisely.

Second, the money that we spend in this management effort provides for the common defense. Thus, if resources are expended

foolishly, we put the nation at great risk. British Air Marshall John Slessor said "It is customary in democratic countries to deplore expenditures on armaments as conflicting with the requirements of social services. There is a tendency to forget that the most important social service a government can do for its people is to keep them alive and free." Because that is the fundamental governmental responsibility, we have the highest possible responsibility to expend resources wisely.

Third, the money that we spend to manage installations is spent as your neighbors. The way in which we use land resources - the way in which we dispose of hazardous materials - the way in which we fly necessary missions - all of these have a direct impact on our neighbors. We must meet our mission responsibilities and manage efficiently in the communities in which we are located.

United States military forces must be prepared for war in order to prevent war from happening. At the same time, should it become necessary, those forces must be prepared to fight and win. This fundamental dichotomy of purpose is the major influence on the procedures by which the military forces are managed.

We have talked about the necessity of attracting and retaining good people, of training them properly, of developing specific management initiatives, and of recognizing that military service differs from business. Let me direct your attention to a final requirement of managing military installations efficiently. The military services simply reflect the society they serve. Where there are problems in the society, the military services will experience some of the same problems. Where there are fundamental changes in the society, those same changes will impact on the military services. Where there are trends in the society, those trends will be felt in the military services.

One fundamental change in our society which is making itself felt in military services is the role of women. As the number and percentages of women throughout the military services increase, we are adjusting our management techniques and programs. Let me give you some examples. As the number of military members married to military members continues to increase, we have found impacts on housing - on how we assign people - and, sometimes, on how we compensate people. As the number of wives working at positions outside the home increases in society as a whole, it also happens in the military services. That will mean, among other things, a greater demand for child care facilities. That is a factor which we must address in developing our installation requirements. The same trend may also mean increased problems in reassigning Air Force members reluctant to move and have their spouses lose their jobs. We must make sure that we are not simply continuing to manage the way we always did - and ignoring trends and changes which require different and better management.

I am very proud of the fact that the military services have led the way in adjusting to this trend. As a matter of fact, there are substantial - and increasing - numbers of women base and installation commanders - the people facing and solving the problems we are discussing.

A military member is part of an institution. An institution is characterized by certain qualities; among them are great identification with the institution, and adherence to the institutional values. A military job does not begin at 9 a. m. and does not end at 5 p. m. In addition to the monetary compensation received by a military member, he or she is entitled to two other forms of compensation: first, that the institution will look out for the individual members and will treat them fairly and equitably - not because it says so in a union contract, or because the military member might sue, but because the institution is

committed to higher values than the normal employer. You are not "hired" by a military service; you "join" a military service - and there is a world of difference. Military service makes enormous demands on military members - certain rights enjoyed by all citizens are forfeited when military service is entered and certain restrictions on members and former members have a lifetime impact. In return for those limitations, the military member must believe that the institution will care for him or her and provide for him or her. That's the second kind of compensation our people are entitled to. The third kind cannot be measured - the conviction that what you do in the military makes a difference. Military members know that their efforts have provided - over two hundred years - the fundamental security for our nation without which all other national efforts would have been in vain. I referred earlier to In Search of Excellence; some of that same dedication and commitment marks the most successful companies. With all due respect to those companies, however, and without denigrating in any way their contribution to America, the fact remains that they are able to sell their products only because someone else is standing watch.

I am proud of the many accomplishments of this administration, in both domestic and foreign matters. But I am most proud, I think, of our success in helping restore American military members to a position of respect in American society. We know that much of our success in attracting and retaining young people is, in large part, economic; but it is also a reflection of greater realization by all Americans of the debt owed to the military services - we forgot that in America for awhile, but we are remembering it again.

That we are an institution may be the fundamental management guideline.

You may have seen the reports in recent weeks associated with the 40th anniversary of the Normandy Invasion. And you may have been reminded again of the story of General Eisenhower - of his graduation from the Military Academy and rapid rise to the rank of Lieutenant Colonel - of the end of World War I and his reversion in rank, serving 16 years as a major - and of how he served for many years in a series of assignments, sometimes near great power as when he was General MacArthur's aide - sometimes in relatively obscure assignments. Throughout all those years, General Eisenhower was preparing himself for the challenges which might face him. He could not know whether the skills which he was developing would ever be required. He could not know whether the troops he trained would ever be used in the defense of the Nation. He could not know whether the doctrine, strategy or tactics he helped develop would ever be put to the test.

A lesser individual might have despaired. He might have been tempted to cut corners, to become slack in the performance of his duties. Some officers did that in the long years between World War I and World War II. But General Eisenhower and many others did not - and when the Nation needed them, they were ready. The moral is clear: military officers - and military members - never arrive - they are always in the process of becoming.

Military management never arrives at the final truth; it is always in the process of becoming - of improving - of finding new ways to accomplish old goals. Our "small towns" - our military installations are on duty this morning defending all of America's small towns.

I hope this report this morning will have provided you a basic indication where we are in that process. I hope that you also will have drawn the same conclusion that I have reached in the past three years of association with the Department of

Defense - the military forces of the United States are composed of high quality people - they are well trained and well led - and this administration is providing them the tools to do their jobs. America's military forces are ready - and they are able - and our nation is much more secure because of that.



BRIGADIER GENERAL MARY A. MARSH, U.S. AIR FORCE
DIRECTOR, MANPOWER AND PERSONNEL (J-1)
ORGANIZATION OF THE JOINT CHIEFS OF STAFF

MANPOWER ISSUES

BY

BRIGADIER GENERAL MARY A. MARSH, U.S. AIR FORCE
DIRECTOR FOR MANPOWER AND PERSONNEL
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NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 19, 1984

GOOD MORNING. WELCOME TO THE PORTION OF THE FORUM DEALING WITH MANPOWER COSTS AND ISSUES. I PARTICIPATED IN LAST YEAR'S NATIONAL SECURITY FORUM FOR WOMEN AND I CAN ASSURE YOU THAT BEING ON THE SPEAKER'S PLATFORM PRESENTS A VERY DIFFERENT PERSPECTIVE THAN SITTING IN THE AUDIENCE. I SUSPECT IT'S GOING TO BE A LOT TOUGHER TO ANSWER YOUR QUESTIONS THAN IT WAS TO ASK THEM, EXPECIALLY FROM AN AUDIENCE WITH YOUR LEVEL OF EXPERTISE AND KNOWLEDGE OF THE DEFENSE BUDGET AND ITS CORRESPONDING PEOPLE ISSUES. KAREN KEESLING AND I FIGURED OUR INVITATION TO SPEAK HERE TODAY WAS LARRY KORB'S WAY OF GETTING BACK AT US FOR ALL THE "ADVICE AND ASSISTANCE" WE'VE PROVIDED HIM ON AN ABUNDANCE OF ISSUES OVER THE LAST COUPLE OF YEARS.

SERIOUSLY, THOUGH, SOME OF THE INFORMATION I WILL PRESENT MAY NOT BE ENTIRELY NEW TO MANY OF YOU -- AND I SUSPECT YOU'LL FIND SOME OF THE THEMES FAMILIAR. HOWEVER, I COME TO THIS PLATFORM TODAY WITH A PERSPECTIVE OF 25 YEARS IN THE PEOPLE BUSINESS, AS A PERSONNEL OFFICER AND AS A COMMANDER, AMONG OTHER THINGS. IF THERE'S ONE THING THAT I AND ALL OUR KEY LEADERS HAVE LEARNED, IT'S THAT YOU HAVE TO TAKE CARE OF THE TROOPS --THOSE WHO HAVE SERVED, ARE NOW SERVING, AND WHO

WILL SERVE THIS NATION IN THE FUTURE. UNFORTUNATELY, THAT LESSON SEEMS TO NEED RELEARNING PERIODICALLY.

MANPOWER COSTS ARE THE SINGLE LARGEST ITEM IN THE DEFENSE BUDGET AND THEY SHOULD BE. LIKE MY HUSBAND IS FOND OF REPEATING, YOU GET WHAT YOU PAY FOR. IN FISCAL YEAR 1985, WE PLAN TO SPEND ABOUT 113 BILLION DOLLARS ON PERSONNEL RELATED COSTS. THIS AMOUNT, WHICH INCLUDES RETIRED PAY, FAMILY HOUSING, THE CIVILIAN PAYROLL, ETC, IS APPROXIMATELY 43 PERCENT OF THE ENTIRE DOD BUDGET. AS A PERCENTAGE OF THE TOTAL DEFENSE BUDGET, MANPOWER COSTS ARE SUBSTANTIAL, BUT THANKS TO SOUND MANAGEMENT THEY HAVE DECREASED OVER THE PAST FOUR YEARS. IN FY 1980, THE COMPARABLE STATISTIC WAS OVER 53 PERCENT.

TODAY I WANT TO TALK WITH YOU ABOUT THE COST OF MANPOWER IN GENERAL AND MANY OF THE SURROUNDING ISSUES. I THINK IT'S IMPORTANT TO FOCUS ON OUR SUCCESSES AS WELL AS OUR POTENTIAL PROBLEMS. IN ALL OF THIS I WOULD LIKE YOU TO KEEP IN MIND THE PREVIOUSLY MENTIONED QUOTE AS I APPLY IT IN MY JOB. WE WILL GET ONLY AS GOOD A MILITARY AS WE ARE WILLING TO PAY FOR.

OVER THE PAST 30 YEARS THE SIZE OF THE ACTIVE AND RESERVE FORCES HAVE INCREASED OR DECREASED IN REACTION TO BOTH INTERNAL AND EXTERNAL FACTORS OVER WHICH, IN SOME INSTANCES, WE IN THE MILITARY HAD LITTLE OR NO CONTROL. PRIME EXAMPLES

ARE HIGH TECHNOLOGY IMPROVEMENTS, VARIOUS WORLD CRISES THAT AFFECTED OUR NATIONAL INTEREST, AN INCREASING OR DECREASING YOUTH POPULATION, AND A CHANGING ECONOMY. BUT THOUGH WE MAY NOT DIRECTLY CONTROL THESE FACTORS, WE MUST BE AWARE OF AND PLAN FOR THEIR CONSEQUENCES. THIS DYNAMIC ENVIRONMENT AFFECTS OUR ABILITY TO MAINTAIN A PROPER BALANCE BETWEEN EXPERIENCED PERSONNEL AND NEW, QUALITY PEOPLE. IT IS IMPERATIVE THAT WE BUILD A HEALTHY VIGOROUS MILITARY, LED BY EXPERIENCED MEN AND WOMEN, CAPABLE OF CARRYING OUT THEIR ASSIGNED MISSION, AND THAT WE MAINTAIN THIS CAPABILITY IN SPITE OF FLUCTUATING WORLD OR NATIONAL CONDITIONS. FAILURE TO ACHIEVE THIS OBJECTIVE COULD LEAD, IN MY JUDGEMENT, TO UNACCEPTABLE RISK TO NATIONAL SECURITY.

RECRUITING AND RETENTION ARE THE TWO CORNERSTONES OF A QUALITY PERSONNEL FORCE. ONE OF THE MAJOR REASONS FOR OUR RECENT ABILITY TO ATTRACT AND RETAIN QUALITY PERSONNEL IS A FAIR AND EQUITABLE COMPENSATION SYSTEM, ONE THAT RECOGNIZES THE HARSHIPS AND SACRIFICES OF MILITARY SERVICE, AS WELL AS ITS DANGEROUS NATURE. THE COMPENSATION SYSTEM MUST ALSO BE STABLE, PROVIDING OUR SERVICEMEMBERS AND THEIR FAMILIES WITH A SENSE OF FAIRNESS, CERTAINTY AND SECURITY.

IN THE LATE 1970'S WE WITNESSED THE PRODUCT OF A DECADE OF INADEQUATE COMPENSATION AND LACK OF SUPPORT BY MANY FOR THE MILITARY. OUR ARMED FORCES EXPERIENCED A DEVASTATING

DECLINE IN MANPOWER READINESS DUE TO SEVERE PERSONNEL SHORTFALLS. OUR CAREER FORCES SUFFERED A "HEMORRHAGE" OF SKILLED, EXPERIENCED, MID-LEVEL OFFICERS AND ENLISTED PERSONNEL. IN 1979, FOR THE FIRST TIME SINCE THE DEMISE OF THE DRAFT ALL THE SERVICES MISSED THEIR RECRUITING OBJECTIVES. THE CONTINUATION OF A COMPLETELY VOLUNTEER FORCE WAS THOUGHT BY MANY TO BE QUESTIONABLE AND SOME EVEN SUGGESTED WE MIGHT BE FORCED TO CONSIDER A RETURN TO THE DRAFT.

IT WAS NOT UNTIL THE 1980'S THAT WE WERE ABLE TO TURN THIS SITUATION AROUND. SUBSTANTIAL COMPENSATION BOOSTS IN 1980 AND 1981 HELPED TO RESTORE SOME COMPARABILITY BETWEEN MILITARY AND CIVILIAN COMPENSATION. IN ADDITION TO ACROSS-THE-BOARD PAY INCREASES, IMPROVEMENTS WERE ALSO MADE IN SPECIAL PAYS, ALLOWANCES AND THE RE-ENLISTMENT BONUS PROGRAM IN AN EFFORT TO RETAIN OUR MORE EXPERIENCED PERSONNEL. RECRUITING EFFORTS WERE ENHANCED BY ADDING MORE RECRUITERS, ESTABLISHING INCREASED ENLISTMENT BONUSES, AND INNOVATIVE USE OF EDUCATIONAL BENEFITS. THESE INITIATIVES HAVE NOT BEEN WITHOUT COST, BUT THOSE COSTS REPRESENTED AN INVESTMENT THAT HAS PRODUCED SIGNIFICANT, MEASURABLE, IMPROVEMENTS. DURING THE PAST FEW YEARS, ALL SERVICES MET OR EXCEEDED THEIR RECRUITING OBJECTIVES. THE QUALITY OF RECRUITS IS FAR HIGHER THAN EVEN THE DRAFT YEARS; 91 PERCENT

There is another criticism, the spare parts issue, that has received a lot of attention lately. It has caused dramatic headlines and provided a great deal of ammunition to political figures running for office who don't like defense spending very much in the first place. First of all, spares are essential, yet they are the nondramatic part of defense contracting. For years, major contracts have been won on performance, the ability of a contractor to produce a system to fly higher or faster, to dive deeper or to negotiate rougher terrain than competitive products. After all, when engaged you'd like to win. Performance was the major criteria that the industry was judged on by the Department of Defense and the military services. Once those systems are in place however, they need to be supported with spare parts and each of the thousands of individual components making up a major system has its own life span. In some of our older systems, this has become a critical problem. Many of the major subcontractors who provided those spares years ago may not be in the defense business today, or in some cases may not even be in business at all. To obtain those spares, the DoD must turn to the defense industry. If it goes back to the original contractors who are now engaged in other programs, may find that the parts are not in stock. The companies might not even have the tooling needed to produce them. Securing those parts can be a very expensive proposition, yet the alternative, taking the aircraft or system off line is even less desirable.

That is one reason for the high cost of spares. Another reason, is that in many cases when the DoD acquires spares it simply lists the parts it needs and sends the entire list out for bid. What happens in the final contract is that for billing purposes the total number of parts is divided into the purchased price of the total contract. The most expensive items in the contracts, the most costly, have a considerably lower price than their value and the more inexpensive parts end up with a higher price. Nobody ever mentions the fact that the military got a good billing deal on the expensive ones. But that's the way it is with spares. They've been handled that way until just recently. Not much attention was paid to them. And obviously, there were some mistakes made.

With the recent attention given to the handful of mistakes in spares pricing, the DoD and the contractors have launched an intensive program to eliminate any problems in the future. The Inspector General of the Department of Defense conducted an investigation into the spare part questions last August. He examined 2,300 items worth \$291 million. Forty-two percent were reasonably priced, while 36 percent were, in his words, unreasonably

corporations have been undertaken large funding programs on their own. As an example, at Groton, Connecticut, where we build a Trident and 688 fast-attack submarines, on our own we have invested \$94 million on construction facilities at Groton, where we assemble and test those submarines; \$110 million at Quosont Point, Rhode Island, for a modern welding facility to build the submarine hulls, and \$12 million on a transportation system to move the components between the two sites. Incidentally, each one of those sub-assemblies weighs somewhere between 600 and 700 tons. In addition, we are presently spending an additional \$20 million on new engineering facilities. At the same time that the industry has been working on improved productivity, quality has received increasing attention. The Department of Defense has organized a series of conferences, the Bottom Line conferences, incidentally, two of them were held in this auditorium in the last two months to pull together industry, academia and the government to address that problem. Today, the industry is looking at quality as prevention not inspection and the number of deficiencies we are finding in final inspection are dropping significantly. The efforts we have made in the productivity quality area are changing the way we do business. Our products work better with less maintenance and our costs are being improved. At General Dynamics, we have a program headed by a Vice President who's responsible for productivity and quality because we believe they go together.

Now I'd like to take a few minutes to show you a short film. It's called "Quest for Excellence" about how demands for performance, productivity and quality are met by General Dynamics on a number of Department of Defense programs. Could we have the film please?

FILM "QUEST FOR EXCELLENCE" IS SHOWN

Well, I hope that film gives you an appreciation for the diversity and the complexity of just a handful of some of the Department of Defense major programs. As large as the procurement effort is in this country, it has developed some very vocal critics. Some claim there is too little competition in the Defense industry to keep costs down. That criticism ignores that most contracts are competitive and bids are subjected to close scrutiny. There is so much scrutiny in fact that one of the major costs of defense business is the paperwork. The paperwork involves the bidding, the testing and providing a detailed history to whatever question gets asked by whomever, whenever. Constant auditing verifies that the government is getting the best price for the best product it can, and the contracts that are let on a noncompetitive basis are closely monitored.

funds. It is a high stakes competition and if the contract is lost that investment is lost. Fluctuations in governmental support for defense expenditures and the competitive nature of the business cause instability for the entire industry. This can be seen in the employment record of our organization at Fort Worth. It is one of our largest divisions, and is where we produce airplanes. In 1943, Fort Worth employed 29,000. In 1946, that was 6,000. Five years later it was 31,000. In 1962, it fell to 10,000. In 1968, it had grown to 31,000 again. In 1975, it was back to 6,000, and currently we have 16,000 there building the F-16.

Now I submit that if any of you who work for the government or in the military went through those gyrations, you'd have a heart attack. We went in six months from 130,000 in Seattle for Boeing to 50,000. That was a real RIF.

Coupled with those problems are others. A number of laws and regulations have had an inhibiting effect on the industry's cash flow, its financial stability, and its investment decisions. The practice of annual buys has been a deterrent to the industry for making capital investments. Equipment was aging, earnings were based on cost while stretched-out budgets limited economies of scale.

At the present time, however, the American defense industry is going through a transformation to solve those problems. It is modernizing its manufacturing process, reducing costs and improving quality by working with the Department of Defense in spending its own funds on large capital expenditures. About two years ago, the Department of Defense began the Industrial Modernization Incentives Program, which was aimed at overcoming obstacles to improving productivity in the defense industry. What happens is that we negotiate contracts with them, the government determines if the productivity improvement will work, and if it will, then we make the capital expenditures. The Air Force has instituted its version of this, the TECMOD program. And at Fort Worth, the Air Force invested \$26 million to support our efforts to improve manufacturing productivity. We then matched that with \$112 million of our own funds. That program is expected to save \$500 million through 1991. One estimate is there can be two billion dollars gained in cost avoidance over the next few years from increased productivity and quality on Air Force programs alone. As an aside, this part of the budget is the one that always goes first. Nobody likes to spend upfront money to save money in the future, any more than they like to budget retirement pay when they can pay for it in the future. In addition to government-support capital expenditures, many

Total outlays for procurement, research and development dropped from \$95 billion in constant dollars in FY 1968 to \$50 billion in 1976. The present Administration, however, is committed to improving our defense. Under President Reagan, a five-year defense buildup is currently under way to modernize our aircraft, rebuild our naval fleet, and reinforce our army. The Air Force needs aircraft, the F-15, F-16 and the B-1. These aircraft also need new weapons, because advances in Soviet defense systems have necessitated development of a whole range of smart munitions, which after launch from an aircraft or any platform, search out their own target. During the decline in defense expenditures in the 1970's, the Navy went from 960 ships in 1969 to 450 a few years later. Navy Secretary Lehman has said the Navy was responsible for fighting the three-ocean navy with a one and one-half ocean fleet. The Navy is presently undertaking in an expansion program to rebuild the fleet up to 600 vessels. In addition, the Polaris and Poseidon class ballistic missile submarines are nearing the end of their design lives and need replacement. At the same time, our surface ships are becoming increasingly vulnerable to advanced missiles which can be launched against them from submarines, surface ships, and aircraft. Meeting this threat requires extensive improvements in electronic warfare systems and whole families of defensive missiles and guns. The Army too faces a need to improve its capability. At present, it is modernizing its forces with armored vehicles and the introduction of the M1 Abrams main battle tank and the Bradley fighting vehicle. It needs improved helicopters, electronics and communications equipment and air defense systems.

Meeting the challenge of supplying all this new hardware to the military is the task of the defense industry. That includes over 300,000 private contractors. For FY 1985, the Department of Defense requested authority to spend \$77.5 billion for Procurement and an additional \$30 billion for Research, Development, Test and Evaluation.

Defense contractors compete for a major DoD program in large intense competitions. It is a different marketplace compared with the civilian marketplace. We compete with the monopsony. You either win 100 percent or you win zero. It is not like a General Motors in an industry where you win 55 percent and are a hero. The military requirement for a new major system is translated into a request for contractors to submit proposals. Often we have to build a prototype system which is tested against some competitor's prototype. In this process, a team of defense contractors can spend millions of their own

Today, things are quite different. First, we're living in a time of relative peace among the current military powers. Deterrence of conflict has become the primary mission of the United States, and American industries supplies our forces with the most advanced weapons, equipment and systems available to perform that mission. Tensions and confrontations are ever present. If hostilities start, our reaction time has been reduced to a few weeks. If they break out between major powers and their allies, they could end before the Department of Defense would even have a chance to modernize or supply its forces. Meanwhile, the Eastern Block today seems committed to maintaining a standing military force much larger than would be justified by defense requirements. The Soviets have larger armed forces than we do, they outproduce us in numbers of aircraft, submarines, tanks and other equipment. They are continually upgrading their forces and developing new and improved systems. They are fielding very sophisticated hardware regardless of the fact that producing those systems is a tremendous drag on the economy. At one time our weapons had superior performance compared to Soviet aircraft, ships and tanks. But those days are over. America in its effort to maintain the peace must maintain a credible deterrence. It does not have as many men and women as the Soviet military. It does not have as many tanks, ships and planes. Our forces must be quick reacting and mobile to meet our commitments around the world. In addition, our defense must be built, maintained and continually improved at a time when the Department of Defense receives varying degrees of funding support. Changes in Administration caused changes in funding for Defense. In the 1950's for example, outlays for DoD amounted to about 60 percent of the Federal budget. In recent years, it's been far below that. Today the figure is 27 percent.

American forces must depend on superior technology to compensate for the disparity in numbers. For the defense industry this is quite a challenge. We must design and build reliable high-performance weapons and systems to perform a variety of tasks. Our systems must operate against constantly improving offensive and defensive weapons. Some of our hardware must perform immediately after years of storage. These requirements make modern weapon systems complex and costly. Their design often takes us to the frontier of technology. The cost of defense systems makes them highly visible at budget time. And it's very easy for our leaders to defer needed modernization of our forces inspite of the constantly evolving threat we face. A decade ago this is exactly what happened.

DEFENSE CONTRACTOR VIEWPOINT
BY
OLIVER BOILEAU
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NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 19, 1984

Today I want to talk about two sides of the Defense Industry. Larry used the words "military industrial complex." He used to use the words "arsenal of democracy," so it depends on where you are coming from and what the society wants of you. I want to go back and reflect on history where we've been, and then talk about some of today's current problems. If you would like to know about allen wrenches or any of those sorts of things, you just ask me some questions I'm sure you will any way.

One of the foundations of our national security has been our ability to marshall our industrial capability in times of crisis. We clearly demonstrated this in World War II. After starting from a real position of deterioration in 1939, we geared up to meet the needs of protracted global war effort. From 1941 to 1945, the defense industry not only built equipment, but built the factories, the tools, the shipyards, designed the weapons, designed the support equipment and delivered them. And for the first time in U.S. history, it was done to a large degree by women. I have a Boeing story I want to tell you. I spent 27 years there at Boeing, so I've got a lot of Boeing stories. The B-17's that we made in Seattle were built one every 43 minutes and we did it with 78 percent women. And that's where Rosy the Riveter got started. We then proceeded to build all the rest of the equipment. In a few short years, American industry produced 310,000 airplanes. We produced 88,000 tanks, 10 battle ships, almost 400 destroyers, as well as close to a million trucks. It was an unprecedented feat which was a major factor in our winning the war. We defeated two of the then greatest military powers with our allies' help.

We will probably never see the likes of that again. First, while the crisis was growing overseas from 1939 on, we had time to react. We had time to organize. Second, once the war was upon us, defense production became the national number one priority. The defense industry received the massive support and funding it needed to carry out the job. Very quickly the defense effort became the primary task of the American economy.



OLIVER BOILEAU
PRESIDENT
GENERAL DYNAMICS CORPORATION

WHO SERVE FOR SHORT PERIODS OF TIME AND OFTEN ONLY UNDER DURESS. DURING THE PAST FIVE YEARS, WE HAVE SHOWN THAT GIVEN AN ADEQUATE AMOUNT OF PERSONNEL FUNDING, THERE IS NO REASON FOR THIS NATION TO COMPEL ITS YOUTH TO SERVE IT UNWILLINGLY.

THE MEN AND WOMEN IN OUR ARMED FORCES ARE THE BEST QUALIFIED IN THE WORLD - THEY UNDERSTAND AND ACCEPT THEIR DUTIES AND RESPONSIBILITIES. THEY STAND WILLING AND READY TO GIVE WHATEVER THIS NATION ASKS, AND TO GO WHEREVER OUR NATIONAL INTERESTS LIE. THEY HAVE FAITH THAT THEIR SERVICES WILL BE WELL USED AND THAT THEIR LEADERS, BOTH CIVILIAN AND MILITARY, WILL LOOK OUT FOR THEIR WELFARE.

IN CONCLUSION, THIS COUNTRY CAN HAVE A MILITARY ONLY AS GOOD AS ITS CITIZENS ARE WILLING TO PAY FOR. I ASK THAT WHEN YOU CONSIDER THE PRICE TAG ON MILITARY MANPOWER YOU BEAR IN MIND THAT THERE IS NO FREE LUNCH FOR ANY OF US.

THANK YOU. I LOOK FORWARD TO YOUR QUESTIONS.

SECTOR. THIS HAS BEEN SHOWN TO BE ABSURDLY UNTRUE! EVEN IF THE MILITARY RETIREMENT SYSTEM WERE MORE ATTRACTIVE THAN MANY CIVILIAN SYSTEMS, I SAY WHY SHOULDN'T IT BE? PEOPLE IN UNIFORM MAKE MANY SACRIFICES AND GIVE UP PERSONAL FREEDOMS THAT OTHER INDIVIDUALS ARE NOT SUBJECT TO. THEY WORK LONG HOURS WITH NO OVERTIME PAY. THEY ARE SEPARATED FROM THEIR FAMILIES FOR MONTHS, SOMETIMES YEARS AT A TIME AND MUST FREQUENTLY RELOCATE IN RESPONSE TO CHANGE OF DUTY. THEY TRAIN FOR WAR AND MUST BE PREPARED TO SACRIFICE THEIR LIFE FOR THEIR COUNTRY. WHAT BUSINESS MAKES ALL THESE DEMANDS OF ITS EMPLOYEES? WHY SHOULDN'T OUR RETIREMENT SYSTEM MAKE UP FOR SOME OF THE NEGATIVE ASPECTS OF MILITARY LIFE?

DON'T LET ME MISLEAD YOU - WE ARE NOT MERCENARIES-- SOLDIERS OF FORTUNE WHO FIGHT ONLY FOR THE MONEY. WE REPRESENT A CROSS-SECTION OF AMERICA. WE ALL SHARE THE SAME CONCERNS FOR OUR COUNTRY AND THE WELFARE OF OUR FAMILIES. WE ALL HAVE A RIGHT TO A DECENT STANDARD OF LIVING AND A SENSE OF SECURITY IN OUR DAILY LIVES. BUT A BALANCE MUST BE STRUCK BETWEEN ADEQUATE COMPENSATION FOR OUR SERVICEMEMBERS AND THE NEED TO WATCH ITS COSTS. WE MUST DECIDE WHAT TYPE OF MILITARY WE WANT - A VOLUNTEER FORCE THAT IS FUELED BY A SENSE OF DUTY AND RESPONSIBILITY; ONE THAT PROVIDES AN ADEQUATE STANDARD OF LIVING FOR ITS MEMBERS; ONE THAT IS WELL TRAINED AND READY; OR A CONSCRIPTED FORCE OF CITIZENS

WE HAVE WHAT IS REFERED TO AS A CLOSED-LOOP PERSONNEL SYSTEM. WE HAVE TO GROW OUR OWN EXPERIENCE LEVELS FROM THE BOTTOM UP--UNFORTUNATELY UNLIKE MANY COMMERCIAL ENTERPRISES, WE CAN'T JUST HIRE OUR MID-LEVEL TECHNICIANS, NON-COMMISSIONED OFFICERS, AND MILITARY LEADERS OFF THE STREET. IT IS VITAL THAT WE RETAIN THE KINDS AND QUALITY OF PEOPLE WE NEED. AND GOOD PEOPLE WON'T STAY WITHOUT SOME ASSURANCE OF A FAIR AND STABLE COMPENSATION PROGRAM.

THE MOST SENSITIVE AND RECENTLY CONTROVERSIAL ASPECT OF MILITARY COMPENSATION IS UNDOUBTEDLY OUR RETIREMENT SYSTEM. WHY IS MILITARY RETIREMENT THE ONLY RETIREMENT PROGRAM UNDER THE GUN? I'M SURE THAT AS CONSUMERS WE'RE ALL PAYING FOR RETIREMENT FOR IBM AND GENERAL MOTORS EMPLOYEES. HOWEVER, UNLIKE TYPICAL CIVILIAN RETIREMENT PROGRAMS, THE MILITARY RETIREMENT IS NOT AN OLD-AGE PENSION PROGRAM. RATHER, IT IS AN INTEGRAL PART OF A LIFETIME CAREER COMPENSATION PROGRAM. IT IS A MEANS TO ENSURE THAT BALANCE OF YOUTH AND SKILL IN OUR FORCES THAT I SPOKE OF EARLIER. AND RETIREES CAN BE RECALLED TO DUTY IF NECESSARY IN AN EMERGENCY.

SINCE 1980, THE VALUE OF MILITARY RETIREMENT HAS BEEN REDUCED BY OVER 20 PERCENT. CONTINUALLY, IT SEEMS, THERE ARE PROPOSALS TO FURTHER REDUCE IT. YOU HAVE PROBABLY HEARD THE GRACE COMMISSION RECENTLY REPORTED THAT MILITARY RETIREMENT IS 6 TIMES MORE GENEROUS THAN THAT OF THE PRIVATE

OUR RETIREMENT SYSTEM IN PARTICULAR. IN MY JUDGEMENT THIS IS THE SINGLE MOST DANGEROUS THREAT TO OUR ABILITY TO MAINTAIN A CONSTANT AND ADEQUATE STATE OF READINESS. OVER THE LAST 2, YEARS IN MY POSITION AS DIRECTOR FOR MANPOWER AND PERSONNEL ON THE JOINT STAFF, I HAVE WITNESSED AN INCREASING NUMBER OF COMPENSATION-RELATED INITIATIVES THAT WILL FURTHER REDUCE THE COMPETITIVENESS OF THE MILITARY IN COMPARISON TO THE WAGES AND BENEFITS OF THE PRIVATE SECTOR.

BOTH FISCAL YEAR 1983 AND 1984 BROUGHT CAPS ON MILITARY PAY, AND HOUSING ALLOWANCES WERE FROZEN, FORCING OUR MEMBERS TO ABSORB EVEN GREATER PORTIONS OF THEIR HOUSING COSTS. ADMINISTRATION REQUESTS FOR FUNDS TO REDUCE OUT-OF-POCKET EXPENSES INCURRED BY SERVICEMEMBERS DURING THEIR FREQUENT MOVES HAVE BEEN DENIED BY THE CONGRESS. THE HOUSE HAS RECOMMENDED A 3.5 AND THE SENATE 4.0 PERCENT PAY RAISE VICE THE 5.5 PERCENT REQUESTED BY THE ADMINISTRATION. FISCAL YEAR 1985 CUTS IN THE ENLISTMENT AND REENLISTMENT BONUS PROGRAMS WILL HAVE A NEGATIVE IMPACT ON RECRUITING AND WILL REDUCE REENLISTMENT RATES. ALL THESE COMPENSATION AND BONUS REDUCTIONS WILL MAKE IT MORE DIFFICULT TO MEET OUR RECRUITING AND RETENTION OBJECTIVES. THESE AND OTHER COST CUTTING MEASURES CAN HAVE A CUMULATIVE AND SERIOUS IMPACT ON FORCE READINESS LEVELS AS SERVICEMEMBERS PERCEIVE AN EROSION OF THEIR COMPENSATION AND BENEFITS. WE MUST REMEMBER THAT

SECOND, THE CONTINUING IMPROVEMENT IN THE NATION'S ECONOMY, WITH AN ATTENDANT REDUCTION IN THE UNEMPLOYMENT RATE, COULD HAVE A NEGATIVE EFFECT UPON OUR RECRUITING AND RETENTION PROGRAMS. COMPETITION FOR BOTH SKILLED AND UNSKILLED MANPOWER WILL INCREASE. THE ARMED FORCES WILL HAVE TO REMAIN COMPETITIVE IN TERMS OF COMPENSATION AND JOB SATISFACTION. WE WILL ALSO HAVE TO CONTINUE TO COMPETE WITH COLLEGES FOR YOUNG PEOPLE WHO HAVE JUST GRADUATED FROM HIGH SCHOOL. WE'RE ALREADY STARTING TO FEEL SOME TIGHTENING. WHILE THIS COULD BE A SEASONAL PROBLEM, WE'RE WATCHING RECRUITING TRENDS CLOSELY.

A THIRD CONCERN IS THE DIMINISHING POOL OF QUALIFIED MANPOWER. OVER THE NEXT 8 YEARS, THE POPULATION OF 18-YEAR OLD MALES WILL DECLINE BY NEARLY 15 PERCENT, WHILE THE OVERALL END-STRENGTH OF THE MILITARY IS PROGRAMMED TO INCREASE. ONE SOLUTION TO THIS DILEMMA IS, OF COURSE, TO USE MORE WOMEN IN THE SERVICES. BUT NEITHER IS THERE AN INEXHAUSTIBLE SUPPLY OF YOUNG WOMEN THAT ARE BOTH QUALIFIED AND INTERESTED TO SERVE IN THE SKILLS WE NEED. BE ASSURED, THE MAXIMUM UTILIZATION OF WOMEN IS AN ISSUE OF THE HIGHEST LEVEL INTEREST.

FOURTH, I BELIEVE THAT OUR ABILITY TO MAINTAIN A STRONG AND EFFECTIVE MILITARY IS NOW BEING DEGRADED BY CONTINUING ATTACKS ON OUR OVERALL MILITARY COMPENSATION PROGRAM AND ON

MUST BE READY! THE SUCCESS OF THIS NATION IN BATTLE DEPENDS CRITICALLY ON OUR ABILITY TO RESPOND RAPIDLY WITH WELL-TRAINED, WELL EQUIPPED, PROPERLY SUPPORTED FORCES. TODAY WE HAVE THOSE FORCES-WE HAVE MORE AND BETTER PEOPLE, AND THEY ARE BETTER TRAINED. THIS IMPROVEMENT IN OVERALL QUALITY CAN BE ATTRIBUTED IN LARGE PART TO POSITIVE FUNDING IN BOTH PERSONNEL AND PROCUREMENT ACTIONS THAT HAS BEEN PROVIDED BY THE CONGRESS.

BUT READINESS IS AN EXTREMELY PERISHABLE ASSET. IT CAN BE QUICKLY AFFECTED BY SMALL SHIFTS IN RESOURCES AND EMPHASIS. WE'RE FACING SOME ISSUES AND CHALLENGES IN THE SECOND HALF OF THE 1980S WHICH COULD HAVE A REAL IMPACT ON OUR NATION'S MILITARY READINESS. I'D LIKE TO DISCUSS SOME OF THESE ISSUES WITH YOU NOW.

FIRST, WE ARE CONCERNED ABOUT CURRENT CONGRESSIONAL TRENDS IN THE AREA OF MILITARY MANPOWER AND PERSONNEL EXPENDITURES. THERE ARE AN INCREASING NUMBER OF TECHNOLOGICALLY ADVANCED SYSTEMS, TO INCLUDE WEAPONS AND COMMAND AND CONTROL, THAT HAVE BEEN APPROVED AND ARE COMING ON LINE. TO OPERATE AND MAINTAIN THEM REQUIRES ADDITIONAL PEOPLE, YET THERE HAVE BEEN RECENT CONGRESSIONAL ACTIONS TO LIMIT THE REQUESTED ASSOCIATED MANPOWER INCREASES. THESE MANPOWER CONSTRAINTS MAY RESTRICT OUR ABILITY TO EFFECTIVELY EMPLOY OUR FORCES.

OF ENLISTEES IN FY 1983 WERE HIGH SCHOOL GRADUATES COMPARED TO 75 PERCENT IN THE YOUTH POPULATION, AND THE RETENTION RATE ROSE FOR THE ENTIRE ENLISTED FORCE FROM 75 PERCENT IN FY 1980 TO 68 PERCENT IN FY 1983. RECRUITING AND REENLISTMENT STANDARDS WERE TOUGHENED AND THE QUALITY OF OUR FORCES HAS NEVER BEEN BETTER. THIS OVERALL SUCCESS IN RECRUITING AND RETENTION HAS BEEN A MAJOR FACTOR IN IMPROVEMENTS IN READINESS.

AS A PREVIOUS BASE COMMANDER IN A TACTICAL FIGHTER WING, IT WAS BROUGHT HOME TO ME MORE GRAPHICALLY THAN EVER THAT PEOPLE ARE THE KEY FACTOR IN THE READINESS EQUATION. I'VE SEEN FIRSTHAND THE IMPACT ON MORALE AND RETENTION WHEN OUR PEOPLE CAN'T PROVIDE A DECENT STANDARD OF LIVING FOR THEIR FAMILIES. I WAS IN GERMANY WHEN THE DOUBLE WHAMMY OF REPEATED PAY CAPS AND A RECORD LOW DOLLAR EXCHANGE RATE LED TO DONATIONS OF FOOD BASKETS FOR OUR TROOPS FROM SYMPATHETIC GERMAN FRIENDS.

A MODERN, WELL-EQUIPED, WELL-SUPPLIED, FORCE IS ESSENTIAL, BUT IT TAKES GOOD, EXPERIENCED PEOPLE TO OPERATE THE KINDS OF EQUIPMENT WE HAVE TODAY. WE MEASURE READINESS AS A USEFUL AND NECESSARY PROCESS FOR TELLING US WHERE WE ARE AT ANY GIVEN POINT IN TIME. WE DON'T KNOW WHEN OR IF WAR WILL COME, BUT ULTIMATELY WE MUST RECOGNIZE THAT WE CAN'T AFFORD TO BE "ALMOST READY" OR "KIND OF READY". WE

priced. However, the amount of the unreasonable pricing represented only six percent of the dollars. Another 17 percent was what he called unreasonably priced because the buyer had not conducted a competition to get them. The Inspector General in his final report found six basic problems which resulted in what's called overpricing: lower prices than were paid were available from some other source; higher prices were allowed to fill urgent requirements in other words, somebody needed it in a hurry. Uneconomical quantities were purchased, sometimes one or two items. Pricing methodology had overstated the item's value, inadequate attention had been given in pricing analysis, or prices were paid that exceed catalog prices. Notice there's no mention of fraud.

At General Dynamics we have given the matter wide exposure and called upon each of our employees to look for and report discrepancies. Our employees have been provided a Hot Line telephone number at every location so that somebody at high level will answer and respond to what they think is the problem.

Spare parts involve component subsystems and equipment which have been produced over a 30-year span. I do not think that the entire industry working on so many programs producing literally millions of parts, systems, and components deserves the widespread criticism that it is presently receiving. I am confident that DoD and the industry will work out effective programs and procedures which will correct whatever deficiencies there are, and the problem will be eliminated.

There's one more criticism of the defense industry which I should mention. That is feeling that if the defense industry didn't produce weapons there wouldn't be a need for them. If we would stop modernizing our weapons the other side would feel less threatened and they would reduce its inventories. But the defense industry does not establish national security policy. It never has, it never will. The industry's responsibility is to meet the requirements of the Department of Defense. Historically, I believe we have done our job quite well. Inspite of fluctuations in Defense spending, inspite of many requirements which our systems must meet, and during a period of rapidly evolving technology, the defense industry of the United States is providing our military men and women the finest weapons in the world. Thank you.



DORCAS R. HARDY
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DEPARTMENT OF HEALTH AND HUMAN SERVICES

TRENDS IN SPENDING FOR SOCIAL SERVICES
BY
DORCAS R. HARDY
ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

NATIONAL SECURITY FORUM FOR WOMEN
NATIONAL DEFENSE UNIVERSITY

JUNE 18, 1984

GOOD AFTERNOON. I AM PLEASED TO BE A PART OF THIS CONFERENCE SPONSORED BY THE DEPARTMENT OF DEFENSE. I HAVE BEEN INVITED TO DISCUSS "TRENDS IN SPENDING FOR SOCIAL SERVICES." THAT MAY SEEM LIKE A STRANGE TOPIC FOR A NATIONAL SECURITY FORUM FOR WOMEN. HOWEVER, THE CRITICISM IS OFTEN MADE THAT IN REBUILDING OUR NATIONAL SECURITY, THIS ADMINISTRATION HAS NEGLECTED THE SOCIAL SERVICES. THAT IS SIMPLY NOT TRUE. I UNDERSTAND THAT YESTERDAY YOU WERE TOLD THAT THE BUDGET FOR MY DEPARTMENT, HEALTH AND HUMAN SERVICES IS STILL THE THIRD LARGEST BUDGET IN THE WORLD, EXCEEDED ONLY BY THAT OF THE ENTIRE U.S. BUDGET AND THAT OF THE SOVIET UNION. THERE ARE SOME OTHER FACTS ABOUT WHAT HEALTH AND HUMAN SERVICES HAS DONE UNDER THE REAGAN ADMINISTRATION THAT YOU SHOULD KNOW.

O AT HHS, WE SPEND \$38 MILLION EVERY HOUR, EVERYDAY.

TOTAL SPENDING FOR HUMAN NEEDS UNDER PRESIDENT REAGAN'S BUDGET

PLANS FOR THE NEXT 5 YEARS WILL APPROACH \$2 TRILLION.

HUMAN NEEDS SPENDING UNDER THIS ADMINISTRATION SUPPORTS
SUCH SERVICES AS:

- 0 MORE THAN 95 MILLION MEALS PER DAY, ABOUT 1 IN 7 OF ALL MEALS SERVED IN THE U.S.; 800,000 TO OLDER AMERICANS. ANY INDIVIDUALS AGE 60 OR OVER REGARDLESS OF INCOME CAN GET A FREE MEAL.
- 0 MEDICAL ASSISTANCE FOR 99% OF THE NATION'S ELDERLY.
- 0 HOUSING ASSISTANCE FOR MORE THAN 10 MILLION AMERICANS.
- 0 AND, HIGHER EDUCATION ASSISTANCE FOR ALMOST 5 MILLION STUDENTS.

TO PUT IT ANOTHER WAY, THIS COUNTRY SPENDS MORE ON HEALTH PROGRAMS AND SOCIAL SERVICES THAN FOR DEFENSE.

THERE ARE MANY WHO SAY THAT AS A PEOPLE, WE AMERICANS NEED ONLY CONCERN OURSELVES WITH TWO BASIC ISSUES: GUNS AND BUTTER. THIS IS OBVIOUSLY A SIMPLISTIC APPROACH TO ADDRESSING THE PRIORITIES THAT BEFALL ANY NATION. BUT IN ITS SIMPLICITY, LIES OUR CREDO. WE MUST BE ABLE TO PROTECT, DEFEND AND OTHERWISE ENSURE AMERICA'S SECURITY, WHILE AT THE SAME TIME ENABLE THE GUARDIANS OF OUR SECURITY TO RECEIVE THE NEEDED SOCIAL SUPPORT SYSTEMS TO MAINTAIN HEALTHY, PRODUCTIVE FAMILY LIVES. THIS APPLIES TO ALL AMERICANS. THIS DOES NOT MEAN, HOWEVER, THAT THE GOVERNMENT IS RESPONSIBLE FOR PROVIDING ALL SOCIAL SERVICES TO ALL ITS PEOPLE. SINCE, AS A NATION WE ARE SPENDING SO MUCH MORE MONEY ON PROVIDING FOR SOCIAL SERVICES THAN ON DEFENSE, ONE WOULD ALMOST GET THE IMPRESSION THAT THAT IS HOW IT SHOULD BE. IT SHOULD NOT BE THAT WAY. BUT HOW DID THIS EVOLVE?

LET ME START AT THE BEGINNING. WE MUST FIRST REFLECT ON THE HISTORY OF SOCIAL SERVICES IN THE UNITED STATES, SECOND, SEE WHERE WE ARE TODAY, AND THEN LOOK TOWARD FUTURE TRENDS IN SOCIAL SERVICE DELIVERY SYSTEMS.

FROM THE BEGINNING, OUR NATION HAD BEEN MARKED BY A TENDENCY TO BE PRAGMATIC RATHER THAN IDEOLOGICAL. AS A HAVEN FOR PEOPLE FROM ALL SEGMENTS OF SOCIETIES WORLDWIDE, OUR COUNTRY WAS IN A CONSTANT STATE OF BUILDING.

AS WE FOCUSED ON BUILDING OUR NATION, WE DID NOT IGNORE THE "WHY" OF A PROPOSED SOLUTION; WE SIMPLY CHOSE NOT TO BE BELABOR IT ONCE WE DECIDED A PROPOSAL WAS GOOD -- OR BAD. IF IT WAS GOOD, WE GOT BUSY ON THE "HOW" OF IMPLEMENTATION. IF A PROPOSAL WAS BAD, WE CHOSE TO IGNORE IT.

THIS APPROACH WAS USED IN DEALING WITH HUMAN NEEDS -- OR WHAT TODAY WE WOULD CALL SOCIAL SERVICES. VISITORS AND

IMMIGRANTS TO THE UNITED STATES WERE AMAZED AT THE PROLIFERATION OF FRATERNAL, CIVIC, RELIGIOUS AND NEIGHBORHOOD OR COMMUNITY ORGANIZATIONS WHICH FORMED ALMOST AS QUICKLY AS A NEED WAS IDENTIFIED. UNLIKE NATIONAL DEFENSE, WHICH HAS ALWAYS BEEN A RESPONSIBILITY OF THE FEDERAL GOVERNMENT, SOCIAL SERVICES IS A FIELD WHERE THE PRIVATE SECTOR AND LOCAL AND STATE GOVERNMENTS HAVE ALWAYS PLAYED A ROLE.

IN 1867, LORD JAMES BRYCE WROTE IN AMERICAN COMMONWEALTH: "IN WORKS OF ACTIVE BENEVOLENCE, NO COUNTRY HAS SURPASSED, PERHAPS NONE HAS [EVEN] EQUALED, THE UNITED STATES. NOT ONLY ARE THE SUMS COLLECTED FOR ALL SORTS OF PHILANTHROPIC PURPOSES LARGER, RELATIVE TO THE WEALTH OF AMERICANS, THAN IN ANY EUROPEAN COUNTRY, BUT THE AMOUNT OF PERSONAL EFFORT DEVOTED TO THEM SEEMS TO A EUROPEAN VISITOR TO EXCEED WHAT HE KNOWS AT HOME."

IT IS NO WONDER, THEN, THAT IN 1917, IN JUST THAT YEAR ALONE, THE RED CROSS WAS ABLE TO RAISE FIFTY TIMES THE AMOUNT IT HAD SPENT IN ITS THREE PREVIOUS YEARS COMBINED. AND WHAT ABOUT THE MARCH OF DIMES? THAT ORGANIZATION TOOK IT UPON ITSELF AND RAISED \$32 MILLION, WHICH MADE IT POSSIBLE FOR DR. JONAS SALK TO DEVELOP THE POLIO VACCINE, EFFECTIVELY ERADICATING A DISEASE ONCE CONSIDERED INCURABLE.

IF I MAY JUMP TO THE PRESENT FOR A MINUTE, NON-GOVERNMENTAL SOCIAL SERVICES DELIVERY IS MAKING IMPRESSIVE IMPRINTS IN ALL OUR COMMUNITIES. THE SALVATION ARMY IN NEW YORK CITY IS SHELTERING AND FEEDING SIX TIMES AS MANY PEOPLE, THEN DO ALL FEDERALLY SUPPORTED WELFARE PROJECTS IN NEW YORK CITY COMBINED.

THE TERMS PRIVATE SECTOR OR INDEPENDENT SECTOR WERE COINED TO DESCRIBE THESE ORGANIZED, NON-GOVERNMENTAL EFFORTS TO MEET SOCIAL SERVICES NEEDS. YET, TODAY, WHEN WE SPEAK OF SOCIAL

SERVICES, MOST PEOPLE THINK FIRST OF THE FEDERAL GOVERNMENT.

THERE IS AN INTERESTING FACT HERE THAT WE MUST CONSIDER,

HOWEVER: SURVEYS SHOW THAT A MAJORITY OF PEOPLE IN NEED WILL
ACTUALLY TURN FOR HELP FIRST TO THEIR CHURCHES OR OTHER
COMMUNITY-CENTERED ORGANIZATIONS.

WHY, THEN, DO WE HAVE THIS IMPRESSION THAT THE FEDERAL
GOVERNMENT IS SO IMPORTANT TO THE SUCCESS OF SOCIAL SERVICES
DELIVERY IN OUR COUNTRY?

FIRST, THERE IS THE LEGACY OF THE NEW DEAL, A TIME WHEN THE
FEDERAL GOVERNMENT SEEMED TO BE THE BEST HOPE FOR SO MANY.

SECOND, THERE WAS THE SECOND WORLD WAR, WHICH HAD MORE TO DO
WITH ENDING THE DEPRESSION THAN DID THE NEW DEAL. PEOPLE SAW
THE GOVERNMENT'S SUCCESS IN WINNING THE WAR AS AN INDICATION
THAT IT COULD DO ALMOST ANYTHING WELL.

IN THE AFTERGLOW OF VICTORY, AND IN OUR BELIEF THAT OUR RESOURCES WERE UNLIMITED, WE TURNED TO THE FEDERAL GOVERNMENT MORE AND MORE. AND, SINCE OURS IS A PARTICIPATORY AND REPRESENTATIVE GOVERNMENT, WHAT WE ASKED FOR IS USUALLY JUST WHAT WE GOT.

FROM RELATIVELY MODEST BEGINNINGS, FEDERAL GOVERNMENT SOCIAL SERVICES GREW STEADILY. WHILE IT GREW SLOWLY AT FIRST, IT FINALLY MUSHROOMED INTO THE GREAT SOCIETY, WHICH WAS TO WAGE A WAR ON POVERTY, ENDING IT FOREVER.

OF COURSE, IT DID NOT WORK THAT WAY. IN 1972, A BOOK-LENGTH REPORT WAS ISSUED BY THE BROOKINGS INSTITUTION WHICH DECLARED THE GREAT SOCIETY A FAILURE. THE REPORT'S AUTHORS INCLUDED A NUMBER OF PRESIDENT LYNDON JOHNSON'S SOCIAL ENGINEERS. THEY CITED AS THE PRIMARY REASON FOR FAILURE, THAT THE FEDERAL GOVERNMENT WAS CALLED UPON TO DO THINGS IT DID NOT KNOW HOW TO DO!

IN 1973, A YEAR AFTER THE BROOKINGS REPORT WAS ISSUED, THE GENERAL ACCOUNTING OFFICE COMPLETED AN EVALUATION OF THE EFFECTIVENESS OF SOCIAL SERVICES PROGRAMS IN REDUCING DEPENDENCY. THE GAO CONCLUDED THAT: "SOCIAL SERVICES HAD ONLY A MINOR IMPACT ON DIRECTLY HELPING RECIPIENTS TO DEVELOP AND USE THE SKILLS NECESSARY TO ACHIEVE REDUCED DEPENDENCY OR SELF-SUPPORT. THEREFORE, ONE OF THE GOALS FOR THE SERVICES -- THAT THEY HELP GET PEOPLE OFF WELFARE -- HAS NOT BEEN ACHIEVED."

EVEN MORE SIGNIFICANT, WE KNOW FROM MORE RECENT DATA THAT ATTEMPTING TO REDUCE POVERTY THROUGH WELFARE PROGRAMS IS FAR LESS SUCCESSFUL THAN REDUCING IT THROUGH ECONOMIC GROWTH. IT HAS BEEN FOUND THAT A 10 PERCENT INCREASE IN THE GROSS NATIONAL PRODUCT OR MEDIAN FAMILY INCOME WILL REDUCE THE POVERTY RATE BY AS MUCH AS 16 PERCENT. INCREASING WELFARE BY THE SAME 10

PERCENT WOULD REDUCE POVERTY BY, AT MOST 8 PERCENT, ONLY HALF AS MUCH, DEPENDING ON THE CATEGORY OF THE HOUSEHOLD. IN SHORT, ECONOMIC GROWTH IS UP TO TWICE AS EFFECTIVE IN REDUCING POVERTY AS ARE WELFARE PROGRAMS.

ECONOMIC GROWTH ALSO LEADS TO MEETING INDIVIDUAL GOALS OF SELF-SUFFICIENCY. WELFARE, ON THE OTHER HAND, CONSTITUTES A FORM OF DEPENDENCY.

I MUST EMPHASIZE HERE, HOWEVER, THAT EVEN UNDER THE MOST FAVORABLE ECONOMIC CIRCUMSTANCES, SOME SEGMENTS OF OUR POPULATION -- THE ELDERLY AND THE DISABLED, FOR EXAMPLE, MAY BE RELATIVELY UNAFFECTED BY GENERAL ECONOMIC GROWTH. THESE SEGMENTS OF OUR SOCIETY MAY REQUIRE SPECIAL ASSISTANCE. AS AN ADMINISTRATION, WE HAVE NOT TURNED OUR BACKS ON THOSE TRULY IN NEED. INSTEAD, WE SEE THE CHALLENGE AS ONE OF TARGETING OUR RESOURCES MORE EFFECTIVELY AND EFFICIENTLY TO BEST SERVE THOSE IN NEED.

THIS BRINGS US TO WHERE WE ARE TODAY IN SPENDING TRENDS FOR SOCIAL SERVICES. WHEN I ASSUMED OFFICE THREE YEARS AGO, I ASKED MY STAFF TO TAKE A HARD LOOK AT OUR PREVIOUS DECENTRALIZED PROGRAMS AND ACTIVITIES. WE DEVELOPED A NEW, COORDINATED APPROACH WHICH SUPPORTED PRESIDENT REAGAN'S PHILOSOPHY THAT THE WELL BEING OF THE PUBLIC IS FIRST AND PRIMARILY A RESPONSIBILITY OF INDIVIDUALS, FAMILIES AND THE COMMUNITIES IN WHICH THEY LIVE -- WHEN THAT SUPPORT IS NOT AVAILABLE, THEN ONE CAN TURN TO LOCAL ORGANIZATIONS, STATE AND FEDERAL GOVERNMENT.

NOW, OUR PROGRAMS EMPHASIZE TWO MAJOR THEMES THAT SUPPORT OUR FEDERAL ROLE IN ADDRESSING SOCIAL SERVICES PROBLEMS: FIRST, INCREASING SOCIAL AND ECONOMIC SELF-SUFFICIENCY THROUGH TARGETING OF RESOURCES AND SOCIOECONOMIC DEVELOPMENT STRATEGIES; AND

SECOND, IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF SOCIAL SERVICES THROUGH BETTER PROGRAMS ADMINISTRATION AND RESPONSIVENESS TO LOCAL NEEDS.

A LARGE PART OF THE FEDERAL ROLE I HAVE DESCRIBED IS DIRECTED AT THE ISSUES OF EFFICIENCY AND EFFECTIVENESS IN SOCIAL SERVICES. WITH THE EXORBITANT INCREASES IN FEDERAL SOCIAL SERVICES EXPENDITURES NOW A PHENOMENON OF THE PAST, THERE IS A RENEWED INTEREST AT ALL LEVELS OF GOVERNMENT IN INSURING THAT THE RESOURCES AVAILABLE ARE BEING APPLIED SO THAT THEY OBTAIN THE MOST BENEFIT. THIS ALL SOUNDS RATHER BUSINESS-LIKE AS IT SHOULD BE. SOCIAL SERVICES DELIVERY IS, IN FACT, A BUSINESS. BUT, AS IS THE CASE WITH ALL SUCCESSFUL BUSINESSES, WE MUST NEVER FORGET THE HUMAN ELEMENT, AND THAT THE RECIPIENTS OF SOCIAL

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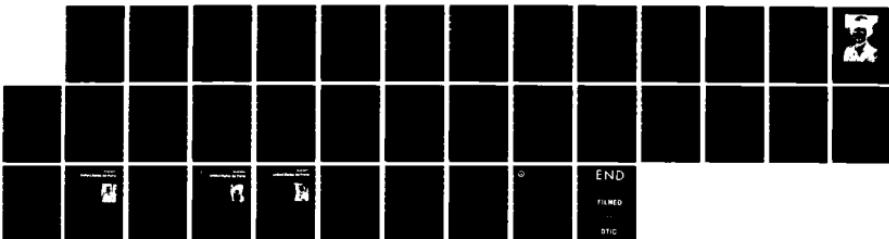
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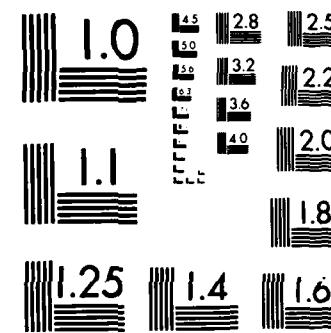
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SERVICES ARE HUMAN BEINGS. ANY BUSINESS MAN OR WOMAN WILL TELL YOU THAT RUNNING A BUSINESS EFFICIENTLY AND EFFECTIVELY IS THE ONLY WAY TO ENSURE A POSITIVE BOTTOM LINE. TO DO THIS WE HAVE FOCUSED ON THE ISSUES THAT CUT ACROSS SOCIAL SERVICES, SUCH AS SYSTEMS DEVELOPMENT, RESOURCE ALLOCATION, MEASURING BOTH THE EFFECTIVENESS AND COST-EFFECTIVENESS OF SOCIAL SERVICES, AND EXPANDING PRIVATE SECTOR INVOLVEMENT.

THERE HAS BEEN A CHANGE IN THE SOCIAL SERVICES ENVIRONMENT WITH THE ADVENT OF TECHNOLOGY, BOTH HI-TECH AND LOW-TECH. HARDWARE AND SOFTWARE ARE NOW SO AFFORDABLE THAT THEY ARE FOUND IN A CONSTANTLY INCREASING NUMBER OF HOMES. TO MANAGE SOCIAL SERVICES SUCCESSFULLY, WE MUST HARNESS THIS NEW TECHNOLOGY; IT IS NO LONGER A LUXURY, IT IS A BASIC NECESSITY.

THE MAJOR ISSUE TODAY SHOULD NOT BE HOW MANY FEDERAL, STATE AND LOCAL DOLLARS ARE GOING INTO TRADITIONAL SOCIAL SERVICE

PROGRAMS. THE MORE BASIC ISSUE IS: WHAT ARE THE BENEFITS OR OUTCOMES THE CLIENTS RECEIVE AS A RESULT OF THE SERVICES.

WE MUST CONSTANTLY ASK: DO THE BENEFITS JUSTIFY THE COSTS? AND, ARE THERE LESS COSTLY AND MORE EFFECTIVE WAYS TO SATISFY THESE NEEDS?

THERE ARE SOME EXCEPTIONAL PROGRAMS WHICH ARE CLEARLY SUCCESSFUL, AND WHICH HAVE DEMONSTRATED THEIR EFFECTIVENESS.

HEAD START, WHICH WILL BE TWENTY YEARS OLD NEXT YEAR, HAS PROVEN ITS MERIT AS A TOTAL CHILD DEVELOPMENT PROGRAM. THIS ADMINISTRATION HAS LONG BEEN COMMITTED TO THIS PRE-SCHOOL PROGRAM FOR LOW-INCOME CHILDREN. WE HAVE CONSISTENTLY INCREASED FUNDING TO THE PROGRAM, AND WE HAVE JUST ANNOUNCED A \$74 MILLION EXPANSION PROGRAM, THUS MAKING HEAD START A BILLION DOLLAR SOCIAL SERVICES PROGRAM -- SERVING 450,000 CHILDREN THIS FALL -- A 20% INCREASE SINCE 1981.

ANOTHER SOCIAL SERVICE WE ARE FOCUSING ON IS THE ADOPTION OF SPECIAL NEEDS CHILDREN. OUR PHILOSOPHY IS THAT IF A CHILD CANNOT, FOR ONE REASON OR ANOTHER, REMAIN WITH HIS OR HER BIOLOGICAL FAMILY IT MAKES GOOD SENSE TO MOVE THE CHILD AS QUICKLY AS POSSIBLE OUT OF THE FOSTER CARE SYSTEM INTO A PERMANENT, LOVING ADOPTIVE HOME. ON THE HUMANITARIAN SIDE IT IS IMPERATIVE TO FIND HOMES FOR AMERICA'S HOMELESS CHILDREN. IN REGARD TO COST EFFICIENCY AND EFFECTIVENESS, KEEPING OUR CHILDREN IN FOSTER CARE IS A VERY, VERY COSTLY SERVICE. AND, AS AMERICANS, AS PARENTS WE MUST REALIZE THAT WE HAVE A RESPONSIBILITY, NOT JUST THE GOVERNMENT TO ENSURE THAT ALL OUR CHILDREN HAVE A HOME!

THERE ARE, OF COURSE, INSTANCES WHERE SOLUTIONS TO PROBLEMS NECESSITATE A CONCERTED EFFORT NOT ONLY OF THE PUBLIC AND PRIVATE SECTORS, BUT INTRAGOVERNMENTAL COOPERATION, AS WELL.

MY OFFICE, THROUGH ITS NATIONAL CENTER ON CHILD ABUSE AND NEGLECT, HAS WORKED SIDE BY SIDE FOR ALMOST A DECADE NOW WITH STAFF FROM THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR HEALTH SERVICES AND MEDICAL AND SOCIAL WORK PROFESSIONALS IN THE UNIFORMED SERVICES TO ADDRESS PROBLEMS OF CHILD MALTREATMENT IN MILITARY FAMILIES. THESE YEAR HAVE SEEN IMPORTANT STRIDES IN THAT CAUSE: THE DEVELOPMENT OF A STRONG DOD DIRECTIVE ON FAMILY ADVOCACY, INFLUENCING POSITIVE PREVENTIVE AND REMEDIAL SERVICES TO ABUSIVE OR NEGLECTFUL FAMILIES; THE ESTABLISHMENT OF SYSTEMS IN EACH SERVICE FOR CRISIS INTERVENTION IN CASES OF CHILD ABUSE; THE INCREASE OF TRAINED PROFESSIONAL STAFF AND GENERAL AWARENESS IN THE MILITARY SERVICES; AND THE CREATION OF CENTRAL REGISTRY SYSTEMS FOR TRACKING CASES AND PREVENTING FUTURE INCIDENTS OF ABUSE.

THE DEPARTMENT OF DEFENSE HAS PARTICIPATED WITH US ON THE INTRADEPARTMENTAL ADVISORY BOARD ON CHILD ABUSE AND NEGLECT IN DEVISING POLICY AND PROGRAMS TO PREVENT AND TREAT THIS PROBLEM. THROUGH OUR JOINT EFFORTS WE ESTABLISHED THE MILITARY FAMILY RESOURCE CENTER WHICH IS A WORLDWIDE OUTREACH PROGRAM THAT SUPPLIES INFORMATION TRAINING MATERIALS AND TRAINING SUPPORT.

THESE ARE SOCIAL SERVICES PROGRAMS THAT WORK; THERE ARE SOME PROGRAMS THAT DON'T WORK. FOR THOSE WE BELIEVE DO NOT WORK WE HAVE REPLACED OR DISCONTINUED THEM. FOR THOSE WE FEEL DO WORK, WE HAVE CONTINUED TO SUPPORT THEM AND SOME LIKE HEAD START, WE HAVE EVEN EXPANDED.

IN TERMS OF FUTURE TRENDS IN SOCIAL SERVICES I FORESEE AN EXPANDED PRIVATE SECTOR INVOLVEMENT. AS I MENTIONED EARLIER,

THE PRIVATE SECTOR -- INCLUDING INDIVIDUALS, FAMILIES, NEIGHBORS, VOLUNTARY SERVICE ORGANIZATIONS, CHURCHES AND CORPORATIONS -- HAVE BEEN INSTRUMENTAL IN MEETING THE NEEDS OF INDIVIDUALS AND FAMILIES FOR SOCIAL SERVICES.

WE ARE CURRENTLY SEEING A RESURGENCE OF SELF-HELP GROUPS -- PERSONS WITH COMMON PROBLEMS OR NEEDS VOLUNTARILY HELPING AND SUPPORTING EACH OTHER. THE REMARKABLE SUCCESS OF ALCOHOLICS ANONYMOUS HAS GIVEN RISE TO SIMILAR SELF-HELP EFFORTS IN THE SOCIAL SERVICES. FOR EXAMPLE THERE IS PARENTS ANONYMOUS WHICH CONSISTS OF PARENTS SUPPORTING EACH OTHER AS THEY DEAL WITH THE ISSUE OF CHILD ABUSE. IN ADDITION, THE NATIONAL SELF-HELP CLEARINGHOUSE HAS BEEN ESTABLISHED TO PROVIDE GUIDANCE AND INFORMATION TO THE PROLIFERATING NUMBER OF SELF-HELP GROUPS.

ANOTHER TREND I FORESEE IS GREATER EMPHASIS ON INTEGRATION OF SERVICES AT THE COMMUNITY LEVEL AS A MEANS OF IMPROVING THE

COMPREHENSIVENESS AND RESPONSIVENESS OF SERVICES TO PEOPLE'S NEEDS. THIS MUST ALSO BE SEEN AS A MEANS OF INCREASING THE PRODUCTIVITY OF SOCIAL SERVICE RESOURCES. THE FEDERAL EMPHASIS ON CATEGORICAL SERVICES AND PROGRAMS IS BEING REVERSED. BUT IT IS AT THE LOCAL LEVEL THAT THE INTEGRATION OF SERVICES ACTUALLY WILL BE ACCOMPLISHED IF IT IS TO BECOME A REALITY.

I ALSO SEE THE SOCIAL SERVICES DELIVERY PATTERN CHANGING TO PERMIT CLIENTS MORE CHOICE AND MORE CONTROL OVER SOCIAL SERVICES INTENDED FOR THEIR BENEFITS. AS CO-PAYMENTS BECOME MORE STANDARD, WE CAN EXPECT CLIENTS TO DEMAND MORE RESPONSIVE SERVICES. I FORESEE THE EXPANDED USE OF VOUCHERS, ENABLING AN ELIGIBLE CLIENT TO CHOOSE AMONG VENDORS OF SOCIAL SERVICES -- MEALS, FOR EXAMPLE. THIS, IN TURN, WILL STIMULATE COMPETITION AMONG VENDORS FOR CLIENTS AND INCREASE SERVICE RESPONSIVENESS.

WE ALL HAVE AN INTEREST IN INSURING SERVICES THAT ARE RESPONSIVE TO THE CLIENT'S NEEDS, AND ARE PROVIDED IN A MANNER THAT EMPHASIZES CLIENT DIGNITY AND SELF-DETERMINATION RATHER THAN CLIENT DEPENDENCE.

ONE FINAL TREND I WOULD LIKE TO HIGHLIGHT HAS ALREADY BEEN DESCRIBED IN VARIOUS CONTEXTS -- A NEW EMPHASIS ON THE BOTTOM LINE IN SOCIAL SERVICES. THERE IS NO QUESTION THAT THE OUTCOMES OF SERVICES AND THE IMPACT OF PROGRMS WILL BE TOPICS OF GREAT CONCERN AND INVESTIGATION IN YEARS TO COME. IN EACH STATE AND COMMUNITY, SOCIAL SERVICE PROVIDERS WILL BE ASKED TO SHOW HOW THEIR SERVICES ARE ACHIEVING THE EXPECTED RESULTS. IN ADDITION, AT STATE AND FEDERAL LEVELS THERE WILL BE A GROWING INTEREST IN THE TYPES OF SERVICES WHICH APPEAR TO ACHIEVE THE MOST COST-EFFECTIVE RESULTS. THROUGHOUT OUR SOCIAL SERVICES SYSTEM, WE MUST BE PREPARING FOR HARD QUESTIONS ABOUT THE EFFICACY OF WHAT WE DO.

IN CONCLUSION, WHAT I HAVE BEEN DESCRIBING AS THE SOCIAL SERVICES FIELD TODAY HAS CHANGED DRAMATICALLY FROM THE PAST. KEY DECISIONS ON LIMITED RESOURCE ALLOCATIONS WILL BE MADE AT THE STATE AND LOCAL LEVELS, NOT AT THE FEDERAL LEVEL. COMPETITION FOR THESE RESOURCES WILL INVOLVE THE ENTIRE SOCIAL WELFARE COMPLEX, INCLUDING HEALTH AND EDUCATION.

CHANGE IS NOT OFTEN EASY. FOR SOCIAL SERVICES PRACTITIONERS IT IS NO LONGER "BUSINESS AS USUAL." PERHAPS, BECAUSE RESOURCES WERE EXPANDING SO QUICKLY FOR SO MANY YEARS, THERE WAS LITTLE INCENTIVE TO FOCUS ON EFFECTIVE AND EFFICIENT SOCIAL SERVICES. WHATEVER THE REASON, THERE HAS BEEN A PROCLIVITY TOWARD NEGLECTING TO APPLY MODERN TECHNOLOGY TO DEVELOPING THE DATA OR SYSTEMS THAT COULD MEASURE THE BENEFITS BEING PROVIDED. BUT, THIS TOO IS CHANGING. JUST LAST WEEK I VISITED A HEAD START PROGRAM IN TENNESSEE. NOW, WITH ONE FLICK OF AN ADP BUTTON, THEY CAN ASCERTAIN WHEN JOHNNY LAST HAD HIS

DENTAL EXAMINATION, WAS LAST VACCINATED, AND IF HE IS ALLERGIC TO CERTAIN KINDS OF FOODS. BEING ABLE TO INSTANTLY CALL UP INFORMATION ENABLES THAT CENTER TO BETTER SERVE THEIR CHILDREN. AND PERHAPS, THEREIN, LIES ANOTHER BOTTOM LINE -- ENSURING THE WELL-BEING OF OUR CHILDREN. WE ALL HAVE A VESTED INTEREST IN THE WELL-BEING OF CHILDREN. ABRAHAM LINCOLN SAID IT BETTER THAN I EVER COULD. HE SAID:

"A CHILD IS A PERSON WHO IS GOING TO CARRY ON WHAT YOU HAVE STARTED. HE IS GOING TO SIT WHERE YOU ARE SITTING, AND WHEN YOU ARE GONE, ATTEND TO THOSE THINGS WHICH YOU THINK ARE IMPORTANT. YOU MAY ADOPT ALL THE POLICIES YOU PLEASE, BUT HOW THEY ARE CARRIED OUT DEPENDS ON HIM. HE WILL ASSUME CONTROL OF YOUR CITIES, STATES AND NATIONS. HE IS GOING TO MOVE IN AND TAKE OVER YOUR CHURCHES, SCHOOLS, UNIVERSITIES, AND CORPORATIONS...THE FATE OF HUMANITY IS IN HIS HANDS."

THE NEW REALITIES ARE A CHALLENGE FOR THE ENTIRE SOCIAL SERVICES FIELD. I BELIEVE THAT THIS NEW COMPETITIVE ENVIRONMENT IS HEALTHY. I KNOW THAT THOSE WHOSE NEEDS MUST BE MET THROUGH OUR SERVICES WILL, IN FACT, BE BETTER SERVED. WE ALL BENEFIT FROM THAT.

THANK YOU FOR THE OPPORTUNITY TO SHARE MY THOUGHTS WITH YOU TODAY.



MARY ANN GILLEECE
DEPUTY UNDER SECRETARY OF DEFENSE
RESEARCH AND ENGINEERING
(ACQUISITION MANAGEMENT)

KATHLEEN TROIA

BIOGRAPHY

On December 12, 1983, Miss Kathleen Troia was appointed the Principal Deputy Assistant Secretary of Defense for Public Affairs in the Department of Defense. Prior to this, Miss Troia was the Assistant to the Secretary of Defense. In this position, she was responsible for writing and coordinating all public statements by the Secretary and Deputy Secretary of Defense including speeches, editorials, and Congressional testimony.

Miss Troia formerly served with the Senate Armed Services Committee Professional Staff and was responsible for oversight of the Defense budget and the Defense authorization bill. She also drafted the Chairman's speeches, articles and editorials on Defense issues.

In a previous position, Miss Troia was a research assistant to Dr. Henry Kissinger and General Brent Scowcroft at the National Security Council.

Miss Troia is currently a PhD candidate at the Massachusetts Institute of Technology. Earlier she received her MA from St. Anne's College at Oxford University and her BA from George Washington University. She was the recipient of the Hubert H. Humphrey Fellowship and was a Graduate Student Fellow at the MIT Center for International Studies where she lectured in courses on strategic nuclear forces and general purpose forces. In addition, she studied Chinese language and literature at the National Chengchi University in Taipei, Taiwan.

Miss Troia is a native of Madison, Wisconsin and currently lives in Washington, D.C.

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JOHN W. WARNER
VIRGINIA

United States Senate
WASHINGTON, D.C. 20510

ARMED SERVICES COMMITTEE
Chairman, Strategic and Theater Nuclear Forces
Subcommittee

ENERGY AND NATURAL RESOURCES COMMITTEE
Chairman, Energy and Mineral Resources
Subcommittee

RULES AND ADMINISTRATION COMMITTEE

JOINT COMMITTEE ON THE LIBRARY OF CONGRESS

BIOGRAPHY

JOHN WILLIAM WARNER, Republican from Virginia, was elected to the United States Senate on November 7, 1978, and was administered the oath of office in Richmond, Virginia, on January 2, 1979. With over five years in Congress, Senator Warner has responded to 99 percent of all roll call votes.

The Senator is a member of the Armed Services Committee, and chairman of its Subcommittee on Strategic and Theater Nuclear Forces. He is also a member of the Energy and Natural Resources Committee, and chairman of its Subcommittee on Energy and Mineral Resources.

Senator Warner came to the Senate with a background in national security and foreign affairs. He has carried out special assignments for the United States in government-to-government negotiations concerning military, scientific, economic, educational and cultural matters.

Prior to his election to the Senate, he served as administrator of the American Revolution Bicentennial Administration. In this position, Senator Warner helped coordinate the July 4th 1976 nationwide celebration of America's 200th birthday.

Senator Warner served more than five years in the Department of Defense, first as Under Secretary of the Navy from 1969 to 1972, and then as Secretary of the Navy from 1972 to 1974. He was head of the United States delegation to the Incidents at Sea Conference with the Soviet Navy, culminating, in May 1972, in the signing in Moscow of an executive agreement for safety at sea, of which Senator Warner was the principal author and signatory for the United States.

The Senator has been privileged to wear the uniform of our country as a sailor during World War II, and as a Marine during the Korean War.

Senator Warner was graduated from Washington and Lee University where he received an undergraduate degree in engineering. He received his law degree from the University of Virginia.

Senator Warner serves on the board of Advisors of the U.S.S. Intrepid Sea, Air, and Space Museum, the National Committee for the Bicentennial of the Treaty of Paris, and the Board of Directors of the Washington Redskins. He is Vice-Chairman of the Combined Federal Campaign of the National Capital Area for the United Way and is Honorary Chairman of the Virginia Society to Prevent Blindness.

He was born on February 18, 1927 to Mrs. Martha Budd Warner and the late Dr. John Warner, of Amherst, Virginia.

- 1971-1972 Operations Officer, Office of the Coordinator of Army Studies, Department of the Army. Principal responsibility was coordination of studies and research performed by Army agencies and civilian contractors.
- Aug-Nov 1971 Special Assistant for Economic Stabilization (Coordination) to the Director, Office of Emergency Preparedness, Executive Office of the President. Assisted in the implementation of Phase I of the President's Wage Price Freeze.
- 1970-1971 Executive Assistant (National Security Affairs) to the Director, Office of Emergency Preparedness. For much of this period, served as Acting Special Assistant for Oil and Energy. Principal responsibilities included management of the Mandatory Oil Import Program.
- 1969 Commander, 92d Engineer Battalion (Construction), Long Binh, RVN.
- 1968 Deputy Assistant Chief of Staff for Operations, 4th Infantry Division, Pleiku, RVN.
- 1965-1968 Instructor and Assistant Professor, Department of Social Sciences, United States Military Academy. Responsibilities included initiation of two pilot courses--the Seminar in Public Policy and the Honors Course in International Relations.
- 1959-1961 Platoon Leader, Company Executive Officer, Company Commander, Assistant Battalion Operations Officer, 3d Engineer Battalion (Combat), 24th Infantry Division, Munich, Germany.

CURRICULUM VITAE

ANTHONY A. SMITH

Brigadier General, US Army

Born June 13, 1936 at Kansas City, Missouri. Married, 3 sons.

Civilian Education:

B.S., United States Military Academy	- 1958
Diploma, Institut d'Etudes Politiques, University of Paris (Olmsted Scholar)	- 1964
M.A. (International Relations & Organization), American University	- 1967
Ph.D. (International Studies), American University	- 1970

Military Education:

Paratrooper	- 1958
Army Language School (French and German)	- 1962
Armed Forces Staff College	- 1969
Industrial College of the Armed Forces	- 1975

Significant Assignments:

- | | |
|-----------|--|
| 1983- | Principal Director, European and NATO Policy, International Security Policy, Office of the Secretary of Defense. Senior military officer on the staff of the Secretary of Defense charged with oversight of US national security policy toward Europe. |
| 1981-1983 | Executive to the Supreme Allied Commander, Europe, SHAPE, Belgium. Responsible for coordinating staff support and for advising SACEUR across full range of his activities. Additional command and personnel responsibilities for US Army personnel in Allied Command Europe. |
| 1979-1981 | Army Member, Chairman's Staff Group, Office of the Chairman, Joint Chiefs of Staff. Directly responsible to Chairman, for staff support on a range of national security issues, with particular emphasis on NATO and West European issues. Also prepared Chairman's Posture Statement and supported Chairman in all Congressional testimony. |
| 1978-1979 | Senior Military Fellow, Center for International Affairs, Harvard University. |
| 1975-1978 | District Engineer, US Army Engineer District, Tulsa, Oklahoma. Manager of Corps of Engineers civil works in seven-state area, with supervision of 1300 employees and \$100 million annual budget. |
| 1972-1974 | Military Assistant to the Deputy Chairman, NATO Military Committee, Brussels. Assisted Deputy Chairman across breadth of his responsibilities, including chairmanship of NATO MBFR Working Group. |

DR. LAWRENCE J. KORB
ASSISTANT SECRETARY OF DEFENSE (MANPOWER, INSTALLATIONS AND LOGISTICS)

President Reagan nominated Dr. Lawrence J. Korb as Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) on April 1, 1981. He was confirmed by the Senate on April 27, 1981, and sworn in on May 4, 1981. In January 1984, his title was changed to Assistant Secretary of Defense (Manpower, Installations and Logistics).

In this position, Dr. Korb administers about 70 percent of the entire Defense budget and has responsibility for: recruiting, retaining, and training the five (5) million, active duty, Reserve, and civilian employees of the Defense Department; maintaining this Nation's worldwide military base structure; providing logistic support to the land, sea, and air forces of the United States; establishing the Department's mobilization, energy, environment, safety, occupational health and equal opportunity programs; coordinating the Department's involvement in the nation's drug interdiction efforts and the 1984 Summer Olympics, and operating the worldwide Department of Defense Dependents Schools system.

Dr. Korb was born on July 9, 1939 in New York City and educated at the Athenaeum of Ohio (B.A. - 1961), St. Johns University (M.A. - 1962) and the State University of New York at Albany (Ph.D - 1969). He served on active duty as a Naval Flight Officer from 1962 to 1966 and is presently a Captain in the Naval Reserve.

Immediately prior to joining the administration, Dr. Korb was Resident Director of Defense Policy Studies at the American Enterprise Institute for Public Policy Research.

He has held several major academic positions, among them: Assistant Professor of Political Science, the University of Dayton, 1969-1971; Associate Professor of Government, U.S. Coast Guard Academy, 1971-1975; Professor of Management, U.S. Naval War College, 1975-1980; and he is presently Adjunct Professor in the Graduate Program in National Security Studies at Georgetown University and at the Washington Center for Public Affairs of the University of Southern California.

Dr. Korb is also a Fellow of the Inter-University Seminar on the Armed Forces and Society (1971-present); a Member, Council on Foreign Relations (1980-present); and a Member of the International Institute for Strategic Studies (1982-present).

In the past he has served as a Consultant to the Office of the Secretary of Defense; to the Office of Education; and to the National Security Council. Dr. Korb has been selected as an Outstanding Educator of America on two occasions and in 1983 was named a distinguished graduate of the Rockefeller College of the State University of New York. He also served as the Chairman of the International Studies Association Section of Military Studies (1973-1976) and is listed in American Men and Women of Science and Who's Who in America. Dr. Korb also was a Member of the Defense Advisory Committee for President-Elect Reagan (1980); and a Member of the Transition Team, Arms Control and Disarmament Agency (1980).

Dr. Korb has published over 90 books and monographs, articles and professional papers on defense issues and budgetary considerations, including The Joint Chiefs of Staff: The First Twenty-Five Years, and the Fall and Rise of the Pentagon. In addition, Dr. Korb has lectured widely on national security policy and has appeared as a guest on such national programs as the Today Show, Good Morning America, McNeil-Lehrer, "60" Minutes, The Lawmakers, and the Phil Donahue Show.

CASPAR WILLARD WEINBERGER
SECRETARY OF DEFENSE

Caspar Willard Weinberger was nominated by President Reagan to be Secretary of Defense on January 20, 1981, was confirmed by the United States Senate on January 20, 1981, and took the oath of office on January 21, 1981.

Born in San Francisco, California, on August 18, 1917, Mr. Weinberger graduated from public schools and earned his A.B. Degree, Magna Cum Laude, at Harvard College in 1938. He received an LL.B. Degree from Harvard Law School in 1941 and is a member of Phi Beta Kappa. He has also received honorary degrees from the University of the Pacific, University of San Francisco, Rensselaer Polytechnic Institute and Elmira College.

Following law school, he joined the Army as a Private in the Infantry and was released from active duty four years later with the rank of Captain. During that time, he served with the 41st Infantry Division in the Pacific Theater of Operations and as a member of General Douglas MacArthur's intelligence staff.

After World War II, Secretary Weinberger served as Law Clerk to U.S. Court of Appeals Judge William E. Orr for two years until 1947, when he joined the law firm of Heller, Ehrman, White and McAuliffe in San Francisco. He was a partner in the firm from 1959-1969.

In November 1952, he was elected to the Assembly of the California State Legislature and was re-elected in 1954 and 1956 without opposition. In 1956 Secretary Weinberger was selected in a poll of California newspaper correspondents as the most effective member of the Legislature.

While continuing his law practice, Secretary Weinberger wrote a semi-weekly column for a number of California newspapers, moderated a weekly local public affairs television program in San Francisco and was a staff book reviewer for a San Francisco newspaper and magazine from 1959 to 1968.

In 1967, he was named Chairman, Commission on California State Government Organization and Economy (called Little Hoover Commission) and he was appointed by then-Governor Ronald Reagan as Director of Finance of California in March 1968. He served until January 1970, when he was appointed by President Richard M. Nixon as Chairman of the Federal Trade Commission. Six months later he was named Deputy Director of the Office of Management and Budget and became Director of that office in June 1972.

President Nixon appointed Secretary Weinberger, in February 1973, as Secretary of Health, Education and Welfare and he continued to head that Department under President Gerald Ford until he resigned to enter private business in August 1975.

Until resigning to accept his present office he was Director of Pepsi Co., New York; Director of Quaker Oats, Chicago; a member of The Trilateral Commission; a member of the Advisory Council of the American Ditchley Foundation; Treasurer of the Episcopal Diocese of California; a member of the Board of Trustees of St. Luke's Hospital in San Francisco; and Chairman of The National Trustees of The National Symphony Orchestra, Washington.

Secretary Weinberger is married to the former Jane Dalton of Maine and they have two children, a son, Caspar Willard Weinberger, Jr., and a daughter, Arlin Weinberger.

Before being nominated by President Ronald Reagan to be Secretary of Defense, Mr. Weinberger was Vice President, Director, and General Counsel of the Bechtel Group of Companies.

BIOGRAPHICAL SKETCHES

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performance. I should also note that to fully implement these initiatives effectively will require additional personnel and reprioritizing our work force.

The Secretary of Defense has requested the Deputy Secretary of Defense as Chairman of the Defense Council on Integrity and Management Improvement to take the lead in providing overall guidance and coordinating the efforts of the DoD Components to reform the management and acquisition of spare parts. In support of this management oversight, the Principal Deputy Under Secretary of Defense for Research and Engineering has been holding bimonthly sessions with the DoD Components to track the progress of their efforts and to provide a forum to interchange reform techniques and approaches.

There are other ongoing reviews and studies. At the request of the House Government Operations Committee, we have conducted a study of the feasibility of acquiring all rights in technical data. The General Accounting Office is again reviewing spare parts acquisition and reviewing separately, at the request of the Senate Government Affairs Committee, the DoD Replenishment Spares Breakout Program Regulation that we issued last summer. The Secretary of Defense has directed the Inspector General to thoroughly review the acquisition of parts. Currently, there are over 300 defense auditors engaged in this review. Under public law 98-191, the Office of Federal Procurement Policy was required to review DoD spare parts procurement practices and submit a report to Congress by June 1, 1984. Most of the personnel resources to perform this review were provided by DoD. We are required by Section 1216 of the DoD Authorization, 1984, to provide a report to Congress on Solutions to Spare Parts Problems by June 1, 1984. The Senate Appropriations Committee report accompanying the DoD Appropriations Bill, 1984, also requires a report to Congress this summer on plans to accelerate modernization of spare parts requirements, procurements, and technical documentation system.

Legislation has been proposed in the Congress that could have the unintended result of diverting our reform efforts in ways that we feel will be more costly. We are working with the appropriate staffs to try to ensure any change is a change only for the better.

I have taken time to catalog some of our acquisition reform efforts to indicate the depth to which we are committed to overall improvements which will help the department. All of our reforms are very people intensive but we feel this commitment of resources is worth the expected benefits.

Thank you for your attention. I would be pleased to respond to your questions now.

because we typically have technical data available for these items. The Secretary of Defense, in his memorandum of August 29, 1983, mandated the application of this program in the development of new weapon systems.

To ensure reasonable pricing of parts at the time of contracting, the DoD Components have all taken action to flag increases in price that appear out of line with past prices. These items receive more intense analysis to assure that the price is reasonable. Along these lines, we issued our implementation of Section 1215 of the DoD Authorization Act, 1984. The regulation prohibits the purchase of spare parts when the price has increased by more than 25 percent within the most recent 12 month period unless the Head of the contracting activity certifies the price is reasonable or that national security interests require the part be purchased. Our regulation also emphasizes that increases of less than 25 percent in no way relieves the contracting officer of the responsibility for obtaining a fair and reasonable price.

Another area where we found a problem in pricing particularly small value items, was in contractor cost accounting practices. A number of contractors utilize cost accounting methods for costing parts on an item basis rather than a value basis. Each item (part), regardless of its material and direct labor cost, is allocated the same costs for material handling, overhead, general and administrative expense, etc. A 50 cent part purchased by the prime contractor from a vendor and sold to the government was burdened with the same cost as a \$1,000 part purchased by the prime contractor from a vendor and sold to the government. This gives the appearance of low value parts being overpriced and higher value parts being underpriced. The net total cost to the government for all parts purchased is the same.

We have directed the Military Departments, DLA, and the Defense Contract Audit Agency to use cost allocation methods that clearly make sense when considering the part involved. We have also directed the use of a "most favored customer assurance" clause for procurements of commercial type items. This will assure that we pay no more than the contractor's most favored customer pays for like items.

We are also expanding the scope and emphasis on value engineering to provide a value analysis of a part when its price appears to be excessive. To obtain this expanded emphasis, we have increased the number of people engaged in value analysis within the DoD Components. We have also directed the inclusion of value engineering clauses in all contracts for spare parts and repair kits of \$25,000 or more for other than standard commercial parts.

Along with increasing our training for personnel, we are revising performance evaluation criteria to reward actions that increase competition and efficiency and penalize lesser

This is not a new problem. It has haunted the Department for several decades. Past Administrations have, at times, initiated efforts to get on top of the problem but did not succeed. Acquiring and managing our inventory of nearly four million items is very people intensive. As I mentioned earlier, last year alone we had almost 15 million procurement transactions. I know of no organization that approaches the size of our inventory or the volume of our procurement transactions.

Clearly, shortfalls in resources have contributed to the spare parts problem. But, management attention was also lacking. Expediencies and shortcuts were taken to meet an ever increasing demand for support of equipment, with little change in the necessary resources. The Secretary of Defense has moved most aggressively to improve the policy governing the acquisition and management of spare parts. We are committed to making these improvements permanent and institutionalizing them to assure that DoD and american taxpayer receive full value for the tax dollar.

The Military Departments and DLA, responsible for implementing the improved procedures for the acquisition of spare parts, are taking necessary measures.

We are challenging contractor claims of proprietary rights in data and contractors are being cooperative. A number have provided data packages and returned solicitations stating that the part can be procured from other sources. To better benefit from the data, we are obtaining automated systems that are designed to quickly retrieve and update data. At present our data packages are stored in large data repositories. To obtain information, we must manually retrieve the data package, reproduce it, and mail it out. With computerized systems we are developing, the procedure will be done automatically. We will even be able to distribute engineering data and drawings over existing telecommunications networks. This is a large effort for our data management people.

An issue that has given rise to considerable controversy is proprietary rights to technical data. The Secretary of Defense, in his memorandum of August 29, 1983, directed the DoD Components to negotiate data provisions in contracts which, as appropriate, reduce contractors' proprietary rights in data. For the 2.2 million items that have been screened for breakout, less than 3 percent are identified as being restricted because of proprietary claims. While the incidence of proprietary claim appears small, the DoD Components have been examining methods that would carry out the Secretary's direction.

Another effort which we believe has promise, is to require that contracts for development incorporate the DoD Parts Control Program. This requirement promotes use of standard parts in the development and production of a weapon system. This allows us to make larger quantity buys, reducing parts cost and reducing the number of items in our inventory. It also supports competition

Obtaining effective competition is a long-standing objective. Almost all of our major programs had competition among prime and subcontractors during the development phase when they were being designed. Those which were not competed were sole source as a function of necessity, not choice. For example, only one shipyard makes nuclear aircraft carriers. That fact is hard to avoid.

Nevertheless, a number of actions are underway to improve our performance in competition. The Services and the Defense Logistics Agency (DLA) have designated advocates for competition within their respective organizations. Competition goals have been established by each of the Services and DLA. We are working to make it easier to determine the costs and benefits of competition in the production phase when most money is spent on a weapon system. We are emphasizing the establishment of two or more sources where the extra investment is worth the expected returns. The potential for savings in this area is high, and the benefit to the Industrial Base is unequivocal. A new policy directive to help transition programs from development to production has been issued to ensure we do our best in preparing for this expensive phase.

Some other actions we are taking to enhance competition are centered in the interservice High Level Working Group on Competition. This group has recommended techniques for identifying second source opportunities, improving data acquisition policies, and increasing the extent of competition at the subcontractor level. The Deputy Secretary of Defense acted on these recommendations with a series of memoranda to DoD Components in March 1984. The group has also developed a new directive on Competition. This directive firmly commits all elements of the Department to pursuing competition. It accents early planning and market research to enhance competitive opportunities. The Services have also pursued independent actions to improve competition.

The entire procurement process is focusing on increasing competition where it makes sense. Perhaps the most vivid example of what can be done with earnest Congressional support is the recent alternate fighter engine competition conducted by the Air Force. It was not only an effective program competition, but one that assured future competition for our downstream spare parts requirements.

In the area of spare parts acquisition, we are pursuing many detailed initiatives to correct problems we have uncovered.

As a result of disclosures by the DoD Inspector General, internal audit organizations and other DoD personnel of excessive prices paid for spare parts, the Secretary of Defense, by memorandum of July 25, 1983, directed that action be taken to improve spare parts procurement. This was followed a month later, on August 29, 1983, by more encompassing direction as to actions and initiatives to be taken to reform spare parts acquisition.

Improvement Program, composed of 32 initiatives. As a result of a thorough review of the original 32 initiatives conducted last spring, the Deputy Secretary of Defense directed that priority attention be given to 6 key management areas:

- o Improving program stability
- o Expanded multiyear procurement
- o More economic production rates
- o More realistic budgeting
- o Improved support and readiness
- o Encouraging competition

Six high-level groups met regularly during the past year to monitor implementation efforts and recommend actions necessary to achieve full implementation. I should add that implementation efforts also continue, as needed, on others of the original 32 initiatives which have not been resolved. The six initiatives of the Deputy Secretary, however, are the critical problem areas which promise the greatest benefits. These are under continual review. As a result of a recent review, the responsibilities of the Realistic Budgeting Group have been transferred to the Comptroller and the Cost Analysis Improvement Group within the Office of the Secretary of Defense and the group on Economic Production Rates has joined with that of Program Stability due to their common areas of interest. A new working group on the Industrial Base has also been formed to ensure that adequate resources to support national defense needs in times of crisis are available.

I would like to discuss in somewhat more detail the initiative on encouraging competition. Competition has been the preferred means for acquiring supplies and services in the government for generations. For many years, observers have wrongly equated competition with the method of procurement, that is, formal advertising, required by our basic procurement statute, the Armed Services Procurement Act of 1947. A Congressional Commission on government procurement highlighted this problem more than a decade ago. Formal advertising requires an exact description of what we intend to buy. This is often impossible when we are seeking new technical approaches or want to compete among standard commercial products, for example. Other elements which must be present to use formal advertising are sufficient time, adequate competition and award of a contract to be made on the basis of price alone (that is, without consideration of such things as superior design or performance). There is no such thing as formal advertising in the private sector. Negotiation in the market place is the way most businesses buy things.

We require our purchasing activities to solicit competitive offers whenever competition is practicable, whether by the negotiation method normally used by business and consumers or by formal advertising. About 40 percent of all contract dollars are spent competitively with another 25 percent spent in follow-on to competitive contracts.

The Simplification Program DoD initiated in late 1981 is being continued. The Air Force, acting as lead service, has pulled together a joint service program that is winning widespread grassroots support in both government and industry.

Three of the changes were a new "short form" contract for purchases under \$500 thousand, the annual submittal of representations and certifications required by contractors and the unilateral modification of purchase orders. These were the newest ideas that were tested, and in many ways received the most favorable response from industry.

Test activities were pleased with the favorable response received from industry. Around 75 percent of those who responded saw it as a significant improvement over "normal" contracts and small business liked it even more than large business. DoD is implementing the successful test items and has accommodated them within the changeover to the FAR.

We are also working to improve our specifications. Recently government and industry made recommendations on how we could avoid costly and unnecessary contract requirements. Five major recommendations were made to reduce DoD acquisition costs. These recommendations call for greater use of specifications that describe just what we want rather than how to build what we want. Also, more care is needed to avoid premature, untailored and accidentally referenced requirements in our solicitations and contracts.

These recommendations are very similar to current DoD policy on this subject. The real challenge is implementing or creating a bridge between current policy and practice. We have developed an initiative which we expect will achieve these objectives and strengthen DoD policy and guidance in this area.

A substantial part of our regulatory requirements arise from statute and cannot be improved without Congressional action. An example is the application of many socio-economic laws to procurement, such as veterans preference hiring, environmental restrictions and minority involvement. Many of these laws presumably intended to exempt small purchase actions from their application. But, as the small purchase dollar threshold was increased, from \$2,000 in the early 1970's to \$25,000 today, the threshold for application of many of these laws remained the same. Some of these laws apply across-the-board for any purchase. They are often thought of as an intrusion by the government into the business affairs of the many small companies that receive our small purchase orders. We are attempting to work through the Office of Federal Procurement Policy to have Congress grant relief in this small purchase area.

Other acquisition improvement efforts are embodied in the Defense Acquisition Improvement Program. This administration, shortly after taking office, established the Acquisition

Procurement of Weapons and Spare Parts
by

Ms. Mary Ann Gilleece
Deputy Under Secretary of Defense
Research and Engineering
(Acquisition Management)

National Security Forum for Women
National Defense University

June 19, 1984

The mission of the Department of Defense (DoD) has grown more complex in the past quarter century. Due to a quantum leap in technology in general and military development in such specific areas as aerospace, communications, electronics, computers, and high energy weapons, unprecedented procurement management skills are required today to maintain an adequate defense. Over the last 25 years, we have also seen the procurement mechanism used as a means to promote social and economic goals. Along with this, reliance on the private sector to provide supplies and services has become the cornerstone of national policy.

In fiscal year 1983, the DoD processed almost 15 million procurement actions for \$140 billion. Almost 50,000 people make the defense contracting system into what we feel is one of the most efficient of any government agency. Women comprise a significant portion of the contracting work force in DoD; over the past six years the percentage of women has grown from 30 percent to 42 percent of contracting professionals. Despite the impression given at times in sensationalized reports or by critics of the Department of Defense, millions of actions take place and billions of dollars are spent with efficiency and a profound regard for safeguarding the tax dollars entrusted to us.

Simplifying the procurement process has been a continuing goal of DoD. We have had some success in trimming the gobbly-gook from our basic acquisition regulation. Preparation of the Federal Acquisition Regulation (FAR) with its DoD FAR Supplement consumed many man years of effort to simplify its style and language. The basic concept used to create the FAR was to combine the Defense Acquisition Regulation and Federal Procurement Regulation into one document; retain existing policies to the maximum extent practicable; use simple, clear and understandable language; and to organize the FAR content to coincide with the steps in a procurement cycle. We think the investment has been worth it. The FAR became effective April 1, 1984.

Another area where we have had some success is in simplifying contracts. The Department has been particularly sensitive to the charge in recent years that selling to the government has become more difficult. Almost everyone in the acquisition community has heard complaints, most often from small businesses, about voluminous, cumbersome, and unreadable contracts.

David S. C. Chu
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION

Secretary of Defense Caspar W. Weinberger appointed Dr. David S. C. Chu as Director of the Office of Program Analysis and Evaluation (PA&E) on May 19, 1981. David S. C. Chu was born in New York City on May 28, 1944 and was educated at Yale University. He received his BA in Economics in 1965 and his Ph.D. in Economics in 1972.

Dr. Chu served in the U.S. Army from 1968-70; first, as an Instructor at the U.S. Army Logistics Management Center at Fort Lee, Virginia (1969-1969) and then in the Office of the Comptroller, Hq., 1st Logistical Command, Republic of Vietnam (1969-1970). He was separated from military service as a captain in June 1970.

Prior to his Pentagon appointment, Dr. Chu was the Assistant Director of the Congressional Budget Office for the National Security and International Affairs Division from April 1978 to April 1981. He was an economist with the Rand Corporation from October 1970 to April 1978, where he was the Associate Director of the Economics Department from August 1975. Dr. Chu was a Consultant with the OECD Development Center in Paris from May-August 1965, and a Lecturer in the Department of Economics at the University of California (Los Angeles).

Among the honors Dr. Chu has received are: Phi Beta Kappa, Honorary Woodrow Wilson Fellow, National Science Foundation Fellow, and Foreign Area Fellowship Program Fellow.



Biography

United States Air Force

Secretary of the Air Force, Office of Public Affairs, Washington, D.C. 20330

LIEUTENANT GENERAL ROBERT E. KELLEY

Lieutenant General Robert E. Kelley is vice commander, Tactical Air Command, with headquarters at Langley Air Force Base, Va. The command directs the activities of two numbered air forces, three centers and seven air divisions. Over 111,300 military and civilian personnel are assigned to 32 Tactical Air Command bases in the United States, Panama, Okinawa and Iceland. Tactical Air Command is the gaining organization for 58,300 Air National Guard and Air Force Reserve personnel in 149 major units throughout the United States.

General Kelley was born Nov. 3, 1933, in Albany, N.Y. and was raised in New Canaan, Conn. He attended Peekskill Military Academy before entering Rutgers University. He received his bachelor of science degree and commission in the Air Force in June 1956. He was a distinguished military graduate of the Rutgers University Reserve Officers' Training Corps program. General Kelley earned his master's degree in international affairs from The George Washington University, Washington, D.C. He is a graduate of the National War College at Fort Lesley J. McNair, also in Washington, D.C.

He entered primary flying training at Bainbridge Air Base, Ga., in August 1956 and completed basic flying training at Greenville Air Force Base, Miss., earning his wings in September 1957. Combat crew training in F-86F's and F-100s followed at Williams Air Force Base, Ariz., and Nellis Air Force Base, Nev.

His first operational assignment was as an F-100 pilot with the 461st Fighter-Day Squadron of the 36th Tactical Fighter Wing at Hahn Air Base, Germany. In May 1959 he joined the 53rd Tactical Fighter Squadron at Ramstein Air Base, Germany, and served as special weapons officer.

Returning to the United States in 1961, General Kelley was checked out in F-104s with the 435th Tactical Fighter Squadron of the 479th Tactical Fighter Wing at George Air Force Base, Calif. He deployed to Germany in the fall of 1961 as part of the United States response to the Berlin crisis. In January 1962 he was selected to help form the 4443rd Combat Crew Training Squadron at George Air Force Base. This unit trained allied instructor pilots in F-104G's as part of the Military Assistance Program.

From 1964 to 1967, General Kelley served in the department of athletics at the U.S. Air Force Academy, Colo., as the administrative assistant to the director and coached varsity lacrosse and skiing. During this tour of duty, he qualified as an airborne parachutist at Fort Benning, Ga.

Following three years at the academy, General Kelley completed F-4 combat crew training at Davis-Monthan Air Force Base, Ariz. He remained at Davis-Monthan as an F-4 instructor pilot

(Current as of November 1983)



and served as executive officer of the 4453rd Combat Crew Training Wing until December 1968, when he joined the 366th Tactical Fighter Wing at Da Nang Air Base, Republic of Vietnam. En route to Southeast Asia, he completed the U.S. Air Force Fighter Weapons Instructor Course at Nellis Air Force Base. While at Da Nang, General Kelley completed 119 combat missions in F-4E's before being assigned, in November 1969, as executive officer of the Tactical Air Control Center, Headquarters 7th Air Force, Tan Son Nhut Air Base, Republic of Vietnam.

When he returned from Southeast Asia in June 1970, General Kelley became an operations staff officer in the tactics branch of fighter operations, Headquarters Tactical Air Command, Langley Air Force Base. His responsibilities included the Air-to-Air Weapons Evaluation program, Air Combat Maneuvering Instrumentation, Continental Operations Range and MCM 3-1 issues. From August 1972 to July 1973, he attended the National War College.

Assigned to Headquarters U.S. Air Force, Washington, D.C., in 1973, he served as chief of the Fighter Forces Branch in the Office of the Deputy Chief of Staff for Plans and Operations. He was a member of the Tactical Fighter Force Modernization Study Group convened by the chief of staff and charged with developing a modernization strategy for the 1980s. The general became assistant for general officer matters, Office of the Deputy Chief of Staff, Personnel at Air Force headquarters in June 1974.

General Kelley served as vice commander, U.S. Air Force Tactical Air Warfare Center, Eglin Air Force Base, Fla., from July 1977 to July 1978, and then as commander of Tactical Training Davis-Monthan, Davis-Monthan Air Force Base. In March 1979 General Kelley took command of the U.S. Air Force Tactical Fighter Weapons Center at Nellis Air Force Base and also served as chairman of the executive committee Multinational Test and Evaluation of the F-16. He was appointed the ninth superintendent of the U.S. Air Force Academy, Colo., in June 1981. He assumed his present duties in July 1983.

The general is a command pilot with more than 4,000 flying hours. Fighter aircraft he has flown include F-86s, F-100s, F-104s, F-4s, A-7s, A-10s, F-5s, F-15s, F-16s and F-111s. His military decorations and awards include the Distinguished Service Medal, Legion of Merit, Distinguished Flying Cross, Bronze Star Medal, Air Medal with eight oak leaf clusters, Air Force Commendation Medal, Republic of Vietnam Armed Forces Honor Medal 1st Class and Republic of Vietnam Gallantry Cross with palm.

He was promoted to lieutenant general July 1, 1983, with same date of rank.

General Kelley is married to the former Margaret Elizabeth Odell of Maplewood, N.J. Their eight children are: Patrick (deceased), Michael, Christopher, Karen, Kathleen, Robert Jr. (deceased), Diana and Colleen.



Biography

United States Air Force

Secretary of the Air Force, Office of Public Affairs, Washington, D.C. 20330

KAREN R. KEESLING

Ms. Karen R. Keesling is the principal deputy assistant secretary (Manpower, Reserve Affairs and Installations). She is responsible for policies affecting military and civilian force management, manpower requirements determination, all matters pertaining to the Air National Guard and Air Force Reserve, and all Air Force bases and facilities worldwide. She assumed her present duties on September 27, 1983, after having served as the deputy assistant secretary for manpower resources and military personnel from March 1982 and the deputy for equal opportunity and director of equal employment opportunity from July 1981 to March 1982.

Ms. Keesling was born in Wichita, Kansas. She received both bachelor's and master's degrees from Arizona State University, Tempe, and her juris doctorate degree from the Georgetown University Law Center, Washington, D.C.

Beginning in 1970, Ms. Keesling served as assistant dean of women at the University of Kansas. Moving to Washington, D.C., in 1972, she became executive secretary for the Secretary's Advisory Committee on the Rights and Responsibilities of Women at the Department of Health, Education and Welfare.

From 1974 to 1977, she served as director of the White House Office of Women's Programs and deputy to the special assistant to the President for women. Ms. Keesling was head of the Civil Rights and Equal Opportunity Section, Government Division, Congressional Research Service at the Library of Congress from 1977 to 1980. She then became a legislative aide to Senator Nancy Landon Kassebaum (R-KS) and served as the senator's staff member on the Senate Budget Committee.

Her civic and organizational activities include membership in the National Federation of Business and Professional Women's Clubs, Inc.; Virginia State Bar; and the Florida State Bar.

Ms. Keesling's honors include being named one of the 10 Outstanding Young Women of America in 1975 and receiving the Arizona State University Alumni Achievement Award in 1976.

She was Kansas Women's Golf Champion in 1966; Wichita Women's Golf Champion in 1968 and 1970; and the Outstanding Woman Golfer in Kansas in 1966.





Biography

United States Air Force

Secretary of the Air Force, Office of Public Affairs, Washington, D.C. 20330

BRIGADIER GENERAL MARY A. MARSH

Brigadier General Mary A. Marsh is director for manpower and personnel, J-1, Organization of the Joint Chiefs of Staff, Washington, D.C.

General Marsh was born Feb. 11, 1930, in Washington, N.J. She received a bachelor's degree in music from Murray (Ky.) State University in 1951 and did graduate work at Western State University, Bowling Green, Ky. She is a 1976 graduate of the National War College, Fort Lesley J. McNair, Washington, D.C., and a 1981 graduate of the Tuck Executive Program, Dartmouth College, Hanover, N.H., under the advanced management program.

She was commissioned a first lieutenant in August 1959 under the direct appointment program of the Officers' Basic Military Course, Lackland Air Force Base, Texas. After graduation she remained there as assistant personnel services officer.

In August 1960 General Marsh was assigned as Women in the Air Force squadron commander at Sheppard Air Force Base, Texas. She moved to Ramstein Air Base, Germany, as assistant military personnel officer and chief, Quality Control Branch, 7030th Combat Support Wing, from June 1962 to June 1965.

Upon her return to the United States, the general was assigned to Homestead Air Force Base, Fla., as chief of the Data Control Branch and later as chief, Career Control Branch, 19th Combat Support Group. She transferred to Dyess Air Force Base, Texas, in January 1967 as chief of quality control for the 96th Combat Support Group and later served as chief of the Consolidated Base Personnel Office.

General Marsh was the first Air Force woman assigned as an adviser to the Vietnamese air force, Saigon, Republic of Vietnam, in April 1968. Following her return from the Republic of Vietnam, she was assigned to the Defense Intelligence Agency, Washington, D.C., as a personnel officer. She then moved to Headquarters Air Force Systems Command, Andrews Air Force Base, Md., in May 1970 as chief, Consolidated Base Personnel Office Management and chief, Records Division.

In May 1971 she returned to Homestead Air Force Base where during a 4½ year period, she served as chief, Consolidated Base Personnel Office, director of personnel and deputy base commander.

Following graduation from the National War College in June 1976, she became vice commander of the 50th Combat Support Group at Hahn Air Base, Germany, and in July 1977



(Current as of May 1983)

when she took command of the group, was the first woman commander of a combat support group at an operational tactical fighter base.

General Marsh moved to Headquarters United States European Command, Stuttgart, Germany, in June 1978 as chief, Intelligence Plans Division. In September 1980 she was assigned to the United States Delegation of the Military Committee in Brussels, Belgium, first as special assistant to the U.S. Military Representative and in November 1981 General Marsh became chief of staff to the United States Delegation. She assumed her present duties in August 1982.

The general's military decorations and awards include the Bronze Star Medal, Defense Meritorious Service Medal, Meritorious Service Medal with one oak leaf cluster, Air Force Commendation Medal with three oak leaf clusters, Republic of Vietnam Armed Forces Medal 1st Class, Republic of Vietnam Air Service Medal and Republic of Vietnam Gallantry Cross with palm.

She was promoted to brigadier general May 1, 1983, with date of rank Oct. 1, 1982.

General Marsh is married to Halbert G. Marsh, U.S. Air Force retired, of Birmingham, Ala.

GENERAL DYNAMICS CORPORATION

Pierre Laclede Center
St. Louis, Missouri 63105

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OLIVER C. BOILEAU

Biographical Sketch

Oliver C. Boileau joined General Dynamics Corporation as President and a member of the Board of Directors in January 1980.

After serving with the U.S. Navy in the Pacific during World War II, Mr. Boileau attended the University of Pennsylvania, where he received his Bachelor of Science degree in 1951 and his Master of Science degree in 1953 in Electrical Engineering. He was a Sloan Fellow at Massachusetts Institute of Technology, where he earned a Master of Science degree in Industrial Management in 1964.

Mr. Boileau began his industrial career with RCA, working on aircraft electronics. He joined The Boeing Company in 1953 as a research engineer and subsequently held several technical and management positions of increasing responsibility. He was named a Vice President of Boeing in 1968 and was appointed President of Boeing Aerospace Company in 1973.

He is a Fellow of the American Institute of Aeronautics and Astronautics and a member of National Academy of Engineering, Navy League, Air Force Association, American Defense Preparedness Association and of the Advisory Board of Centerre Bank. Mr. Boileau also is a member of the Visiting Committee, Massachusetts Institute of Technology Department of Aeronautics and Astronautics, Board of Trustees of St. Louis University, Board of Overseers of the School of Engineering and Applied Science of the University of Pennsylvania, Lawrence Institute of Technology Corporation, and the Executive Board of St. Louis Area Council Boy Scouts of America. He is affiliated with Eta Kappa Nu and Sigma Tau, honorary societies, and Theta Xi, social fraternity.

Mr. Boileau was born in Camden, New Jersey, March 31, 1927. He and his wife, Nan Eleze, have four children and live in St. Louis, Missouri.

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January 1984

DORCAS R. HARDY

Assistant Secretary for Human Development Services
Department of Health and Human Services

Dorcas R. Hardy was nominated for her position as assistant secretary by President Reagan, and confirmed by the Senate on May 4, 1981.

As assistant secretary, Ms. Hardy is responsible for administering a six billion dollar human services program for our most vulnerable populations: children, youth and families; the elderly; the disabled; Native Americans and funding to states for social services to help low-income families.

In an article in the "Wall Street Journal" in February of 1982, Ms. Hardy was called the "no-nonsense head of the Office of Human Development Services... and one of the administration's shrewdest operatives." The "Child Protection Report" newsletter cited her for her experience and ability ... in her concern that the Office of Human Development Services provide a leadership role in helping states solve their own social problems."

Ms. Hardy has been active in her role as assistant secretary. She has launched a National Adoption Initiative to help find homes for the more than 50,000 youngsters presently legally free for adoption. She was presented with the One-Church/One Child Award from the State of Illinois for her work in the recruitment of permanent homes for black children.

Ms. Hardy has also been active in her support of the Head Start program, the prevention of child abuse and neglect, nutrition programs for the elderly, and promoting economic self-sufficiency for Native Americans.

Ms. Hardy also serves as Chairman of the President's Task Force on Legal Equity for Women. The twenty member interagency task force is in the process of eliminating regulatory and procedural barriers which have unfairly precluded women from receiving equal treatment from Federal activities.

A graduate of Connecticut College, Ms. Hardy received an M.B.A. from Pepperdine University, and completed the Executive Program in Health Policy and Financial Management at Harvard Business School.



OFFICE OF THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

RESEARCH AND
ENGINEERING

BIOGRAPHICAL DATA

Mary Ann Gilleece
Deputy Under Secretary of Defense
for Research and Engineering
(Acquisition Management)

Mary Ann Gilleece took office as the Deputy Under Secretary of Defense for Research and Engineering (Acquisition Management) in April 1983. Ms. Gilleece was born in Effingham, Illinois, and raised in St. Louis, Missouri. She graduated from the University of Connecticut in 1962 and attended Suffolk University Law School in Boston where she received a Juris Doctor degree in 1972 and in that year became a member of the Massachusetts Bar. In 1982, she received a Master of Laws degree in Government Procurement Law from the George Washington University. Ms. Gilleece is national circuit Vice President of the Federal Bar Association and she is a member of the Federal Bar Association and American Bar Association Public Contracts Sections. She is on the Board of Advisors of the National Contract Management Association.

Prior to her appointment, Ms. Gilleece was appointed an Assistant Attorney General for the Commonwealth of Massachusetts, practiced law privately for a number of years, and served for 6 years as Counsel to the U.S. House of Representatives, Committee on Armed Services. In that position she was responsible for Committee functions relating to Federal contracting legislation and government procurement methods.

As Deputy Under Secretary, Ms. Gilleece serves as the principal advisor to the Under Secretary of Defense for Research and Engineering in all matters concerning management and policy for the Department of Defense acquisition process. She also serves on the Joint Contract Administration Coordinating Council. She is responsible for making procurement system improvements in accordance with Executive Order 12352 of March 17, 1982 on Federal Procurement Reforms and is the DoD member of the OMB Executive Committee on Procurement Reform. Another key area of responsibility is the formulation and execution of DoD international acquisition objectives, policies, and programs for cooperation in research, development, production, and procurement with U.S. Allies. Other major responsibilities include programs to improve the productivity of defense contractors and the production capabilities of the U.S. industrial base.

Ms. Gilleece resides in Alexandria, Virginia.

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